

# BIENNIAL BUDGETING

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## HEARING

BEFORE THE

COMMITTEE ON RULES

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

BIENNIAL BUDGETING: A TOOL FOR IMPROVING GOVERNMENT FISCAL  
MANAGEMENT AND OVERSIGHT

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FEBRUARY 16, MARCH 10 AND 16, 2000

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## **BIENNIAL BUDGETING: A TOOL FOR IMPROVING GOVERNMENT FISCAL MANAGEMENT AND OVERSIGHT**

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**Wednesday, February 16, 2000**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON RULES,  
*Washington, D.C.*

The committee met, pursuant to call, at 10:30 a.m. in Room H-313, The Capitol, Hon. David Dreier [chairman of the committee] presiding.

Present: Representatives Dreier, Goss, Pryce, Diaz-Balart, Hastings, Sessions, Reynolds, Moakley, Frost, Hall, and Slaughter.

The CHAIRMAN. The Rules Committee will come to order now. We are using our new technology for the first time, and I guess we are audio streaming this. So what I am about to say is going out over the Web.

The purpose of today's hearing is to hear from our colleagues about their views on biennial budgeting and to examine various proposals for establishing a 2-year budget and appropriations cycle. I am very pleased that in just a few minutes we will be joined by the Speaker of the House, who will be for the first time since he has been Speaker testifying before a congressional committee.

We originally planned to hear member testimony over a 2-day period, but because there will be no votes scheduled tomorrow, we will try to complete this hearing today.

After the President's Day recess, we plan to hold at least one more hearing to receive testimony from the executive branch, congressional support agencies and outside experts in an effort to develop consensus legislation that will streamline the budget process, enhance programmatic oversight, strengthen the management of government programs and bureaucracies and reform the Congress.

At the very end of the last session a bipartisan group joined with us, in fact there were a total of 245 members, in introducing a sense of the House resolution calling for the enactment of biennial budget process in the second session of the 106th Congress. Well, as we all know we have begun the second session of the 106th Congress, and we are committed to moving forward with that effort. There is, as we know, very strong bipartisan support in the Senate for a biennial budget process, and President Clinton as well as the major presidential candidates of both political parties are supportive of biennial budgeting, and the President specifically mentioned

in his submission of his budget for fiscal year 2001 support for this biennial process.

The issue of biennial budgeting has received considerable attention over the past decade. Since 1977 more than 40 congressional or special committee hearings have addressed the topic of biennial budgeting. I would like to note most often what I consider to be the most significant recommendation which came from a committee, which I was proud to cochair along with Lee Hamilton and former Senator David Boren and our colleague Senator Domenici who chairs the Budget Committee in the Senate, in 1993 after exhaustive hearings we came forward with a recommendation that we proceed with biennial budgeting. The gentleman sitting right here to my left, the vice chairman of the committee and chairman of the Subcommittee on Legislative and Budget Process, Mr. Goss, has held several hearings on this issue over the past 5 years in the context of comprehensive budget process reform.

I happen to believe that enactment of a biennial budget process could lead to the most significant governmentwide fiscal management reforms of the last quarter century. The enormous amount of resources expended by the executive branch in preparing multiple annual budgets at the same time would be diverted to long term strategic planning and improving the performance of Federal programs. Congress, which for this fiscal year appropriated \$121 billion for programs encompassing 137 programs whose authorization had expired, would have more time and resources to do a better job of programmatic oversight.

For those citizens who are served by Federal programs, biennial budgeting will provide more predictability and peace of mind. States, localities and private organizations will become more efficient in the long term planning and management of their programs if Federal funding streams were more predictable, and obviously, as has been pointed out by the chairman of the Interior Subcommittee of Appropriations, Mr. Regula, there can be tremendous taxpayer savings, too.

While nobody believes that biennial budgeting is in fact the panacea for all the ailments of society or the Federal Government, if it is done correctly I believe that such a process can promote a more effective government and a less chaotic and repetitive budget process at both ends of Pennsylvania Avenue.

As I said, we are looking forward to having Speaker Hastert join us in just a few minutes as our kickoff witness, and until then I am going to call on members for opening statements. Mr. Goss I know has a statement he would like to offer.

[The prepared statement of Chairman Dreier follows:]

**Statement of Congressman David Dreier,  
Chairman, Committee on Rules**

The hearing will come to order. The purpose of today's hearing is to hear from our colleagues about their views on biennial budgeting and to examine various proposals for establishing a two-year budget and appropriations cycle. I am especially pleased that, in a few minutes, we will be joined by Speaker Dennis Hastert for what I am told will be his first time testifying before a committee as Speaker of the House.

We originally planned to hear Member testimony over a two-day period but, because there will not be votes tomorrow, we will try to complete this hearing today.

After the President's Day recess, we plan to hold at least one more hearing to receive testimony from the executive branch, congressional support agencies, and outside experts in an effort to develop consensus legislation that will streamline the budget process, enhance programmatic oversight, strengthen the management of government programs and bureaucracies, and reform Congress.

At the end of the last session of Congress, a bipartisan group of Members -- 245 to be exact -- introduced a sense of the House resolution calling for the enactment of a biennial budget process in the second session of the 106th Congress. It's now the second session, and we are committed to moving forward. There is strong bipartisan support in the Senate for a biennial budget process, and President Clinton recommended biennial budgeting in his FY 2001 budget submission.

The issue of biennial budgeting has received considerable attention over the past decade. Since 1977, more than 40 congressional or special committee hearings have addressed the topic of biennial budgeting. Most notably, it was the most significant recommendation to come out of the 1993 Joint Committee on the Organization of Congress, on which Senator Domenici and I served as co-chairmen along with former Congressman Lee Hamilton and former Senator David Boren. Porter Goss, Chairman of the Subcommittee on Legislative and Budget Process, has also held several hearings on this issue over the past five years in the context of comprehensive budget process reform.

I happen to believe that enactment of a biennial budget process could lead to the most significant government-wide fiscal management reforms of the last quarter century. The enormous amount of resources expended by the executive branch in preparing multiple annual budgets at the same time would be diverted to long-term strategic planning and improving the performance of federal programs. Congress, which for this fiscal year appropriated \$121 billion for programs encompassing 137 programs whose authorization had expired, would have more time and resources to do a better job of programmatic oversight.

For those citizens who are served by federal programs, biennial budgeting will provide more predictability and peace of mind. States, localities and private organizations will become more efficient in the long-term planning and management of their programs if federal funding streams were more predictable.

While nobody believes that biennial budgeting is the panacea for what ails the federal government, if done right, I believe such a process can promote a more effective government and a less chaotic and repetitive budget process at both ends of Pennsylvania Avenue.

Mr. GOSS. Thank you very much, Mr. Chairman. I want to thank you for taking the leadership and initiative for holding these hearings. This is a topic I think of very great interest to a growing number of members. As you have mentioned, we spent a very large portion of our subcommittee looking for ways to improve our current budget process which I feel and I think many members feel is broken and broken rather badly.

I suppose the byword how quickly we forget around here is appropriate, but I can still remember 18 months ago when we had a very strong reminder about just how badly broken the budget process was. We did a little better last year, but I don't think anybody felt we had a system that was serving us properly or the people of the United States.

Working with our friends in the Budget Committee and bringing in a number of members on both sides of the aisle, I think we did develop a pretty good package last year. It was certainly fairly comprehensive. We called it H.R. 853, and the committee acted upon it, and I think there still is a possibility for some floor action down the road.

That package did include a number of very significant changes that served as a benchmark for starting a discussion on how to change the process for the better, which is part of the purpose of it, and at that time we said that we had not been able to include everything in that bill. Obviously in order to get consensus we had to leave some things out. We did want to find a baseline consensus with committees of jurisdiction because that is what is necessary to get legislation passed, and I think 853 is a pretty good effort in that direction. But we also hope to develop a vehicle that will yield positive results if brought to a conference with the Senate, and that added another dimension of compromise.

I remain hopeful that we are going to have a chance to bring H.R. 853 forward or some of its component parts in some other vehicle as part of a larger discussion about where we are actually going with the budget process. I don't think there is any magic in looking back 30 years and saying, well, what we did 30 years ago suits the United States and America's Congress today because I don't think it fits, and I am afraid the evidence is before us.

But with regard to the topic at hand today, I look forward to an informative series of hearings on biennial budgeting. This is obviously going to be a very profound change in the process, and if it lives up to its billings, and that is an if, it should improve efficiency, reduce redundancy, boost programmatic oversight and minimize frustration. That is a tall order for any process change, but I am encouraged by the broad range of Members and experts within this institution and across the country that has concluded that it is time to give biennial budgeting a try across the board at the Federal level.

This is not something that has not been discovered in other areas, and the question is whether it is now appropriate at the Federal level here.

In my view the time has come to make a change, and I did not believe that when I started the process. This process has been instructive and informative to me, and I am now convinced that it

is time to make a change. Given the totally predictable but somehow unavoidable train wrecks, near misses, chaotic late night sessions despite your best efforts to have us meet at normal times and nearly total public distrust that have come to characterize our annual budget attempts, it does appear that winnowing the process can be a tonic for what ails us.

I would like to note for the record though, Mr. Chairman, that I do not believe any one process change on its own magically is going to right the system, and that is the reason I do this.

Of course, we all know that nothing will substitute for good judgment, plain old-fashioned hard work and an ability to negotiate and compromise for the good of the order. That is part of our daily work in trade here. In addition, Mr. Chairman, lest we trade one set of problems for another in pursuing biennial budgeting, I hope we will couple any such change with other important process fixes, including a revamping of the way we budget for emergencies. We have had a lot of input on that, as you know. I think it is a very legitimate area. I think the way we talk about strengthening enforcement in an effort to put some teeth into making our budget a legitimate two-step, authorize then appropriate process work the way it was intended are areas to fix that we need to focus on as well.

Having said all that, I congratulate you again for bringing this slice of the loaf forward, and I look forward to some good input.

[The prepared statement of Mr. Goss:]

**Statement of Congressman Porter J. Goss,  
Chairman, Subcommittee on Legislative and Budget Process**

Mr. Chairman: Thank you for taking the initiative to hold these important hearings on a topic of great interest to many members. As you know, I have spent a good portion of my tenure on the Rules Committee looking for ways to improve our current budget process which is, put simply, broken and broken badly.

Working with our friends at the Budget Committee and bringing in members on both sides of the aisle, we developed a fairly comprehensive package last year -- H.R. 853 -- that this committee acted upon and that still awaits its chance on the House floor.

That package included a number of very significant changes and served as a benchmark for starting the discussion of how to change the process for the better. At the time we said that we had not been able to include everything in that bill -- as we sought to find some baseline consensus among the committees of jurisdiction. We also hoped to develop a vehicle that would yield positive results if brought to a conference with the senate.

I remain hopeful that we will have the chance to bring forward H.R. 853 -- or its component parts in some other vehicle if necessary -- as part of this larger discussion about "wither the budget process."

With regard to the topic at hand today -- I look forward to an informative series of hearings on biennial budgeting. This is a profound change in the process that, if it lives up to its billing, should improve efficiency, reduce redundancy, boost programmatic oversight and minimize frustration. That's a tall order for any process change, but I am encouraged by the broad range of members and experts within this institution and across the country who have concluded that it's time to give biennial budgeting a try across the board at the federal level.

In my view, the time has come to make this change. Given the totally predictable but somehow unavoidable train wrecks, near misses, chaotic late-night sessions, and nearly total public distrust that have come to characterize our annual budget attempts, it does appear that winnowing the process can be a tonic for what ails us.

I would like to note for the record, though, Mr. Chairman, that I do not believe any one process change can, on its own, magically right all the wrongs in our system.

Of course we all know that nothing will substitute for good judgment, plain old fashioned hard work and an ability to negotiate and compromise for the good of the order. In addition, Mr. Chairman, lest we trade one set of problems for another in pursuing biennial budgeting, I hope we will couple any such change with other important process "fixes" including a revamping of the way we budget for emergencies, strengthened enforcement and an effort to put some teeth into making our two-step "authorize-then-appropriate" process work as intended.

Thank you, Mr. Chairman.



The CHAIRMAN. Thank you very much, Mr. Goss. I know that in my remarks I mentioned the work that you and others have done on the overall issue of budget process reform, and I do believe that is a very important package, and as you know very well, I have been supportive of it all the way, but I feel very strongly about the need for us to address this question in light of the fact that we have not been able to move 853 as expeditiously as we would have liked.

Mr. GOSS. I would agree, Mr. Chairman. These are not mutually exclusive efforts.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. I don't have an opening statement, but I note that 44 States had a biennial budget cycle in 1940 and now only 21 have them. The States found that by having biennial budgets it led to more supplemental budgets and less oversight by the legislature, and I just think that you are really going in the wrong direction. I think if we just work the system we have and work it diligently, we probably could accomplish a lot of things.

As I said, the biennial budget has not led State executives to do more performance evaluations, nor State legislatures to do more oversight. States that have shifted from biennial budgets, to annual budgets significantly reduce the need for supplemental appropriations. Biennial States still perform substantial annual reviews to balance their budgets or cede powers to others to make budget decisions for them in off years.

I think we are out flailing again, and I just think if we try to work within the budget procedure, no matter what deadline you set for the budget, we are always going to be up against it. Nobody ever does things on time. It is always a month after they are supposed to do it. So no matter what you do in this situation, Mr. Chairman, I just think it is going to be cosmetic, and I don't think it will improve the budget system much, and I have dissenting views for your report.

[The prepared statement of Mr. Moakley follows:]

**Statement of Congressman John Joseph Moakley,  
Ranking Member of the Committee on Rules**

Thank you, Mr. Chairman. I appreciate your holding these hearings on biennial budgeting. The purpose of a hearing is to examine a proposal carefully, to go a little deeper than the initial shine and appeal of a new idea, and figure out how it will (or won't) work. I think that is what we will do today.

Although we question the value of switching from annual to biennial budgeting, we accept the wisdom of devoting only one out of every two years studying a new budget reform proposal.

The majority on this committee hold that "biennial budgeting could lead to the most significant government-wide fiscal management reforms of the last quarter century." They mistakenly blame the annual cycle for three failures:

1. Congress' failure to meet budget deadlines,
2. Congress' failure to authorize programs,
3. Congress' failure to perform serious oversight.

The experience of the states -- the laboratories of democracy - tell a different story. The lessons from state experiences support annual budgeting:

- \* 44 states had a two-year budget cycle in 1940. Today, only 21 states practice biennial budgeting. Although Arizona and Connecticut shifted from annual to biennial cycles in the 1990's, the trend is clearly to abandon biennial.
- \* States with biennial budgets tend to have small or middle-sized budgets. Only one of the top ten state budgets, Ohio, is biennial. In the off-years, in Ohio, a joint, bipartisan committee - the Controlling Board - transfers funds between items and across fiscal years and allocates funds from an "unforeseen contingencies" appropriation.
- \* States with annual budgets tend to spend less per capita than states with biennial budgets.
- \* States that shifted from biennial budgeting to annual budgets significantly reduced the need for supplemental appropriations. Biennial states still perform substantial annual reviews to balance their budgets or cede powers to others to make budget decisions in the off-year.
- \* Biennial budgeting has not led to state executives doing more performance evaluations nor state legislatures doing more oversight.

The problems cited by the majority are real. What we dispute is that a two-year cycle for budget decisions will alleviate any of those problems.

Moving to a biennial budget cycle will not help us pass budget resolutions on time nor will it make us less reliant on continuing resolutions. Like most people, Members of Congress are driven to act by deadlines. We reach consensus and compromise only at the last moment. When the fiscal year began in July, Congress finished the appropriations cycle about one working month later, just before or just after the August recess. So the start of the fiscal year was pushed back to October 1 in the late 1970's. We now finish our work on average in November, still about one month after the deadline. If we were to give ourselves two years to agree on a budget, it would probably take two years and one month to reach those agreements. The Congressional Budget Office in its July 1996 testimony before the Senate Governmental Affairs Committee remarked, and we agree, "Given that the underlying cause of current budgetary pressures is the ongoing conflict over priorities, simply providing for budgetary action every other year is unlikely to relieve those pressures."

Biennial budgeting will increase the number of supplemental appropriations bills enacted. Supplemental appropriations are not a model of fiscal discipline. Instead Members see them as Christmas-trees to be filled with emergency ornaments and other delights. As Louis Fisher notes, in his Fall 1997, Public Budgeting and Finance essay, "Biennial

Budgeting in the Federal Government," "compelled to estimate spending for an additional year, agencies are apt to hedge their bets by including funds to cover unforeseen expenses. The problem of agency padding would be more pronounced under biennial budgeting." It is not surprising that states with biennial cycles tend to spend more per capita than states with annual cycles.

There are serious questions about the accuracy of annual revenue and spending projections and the economic forecasting upon which they are based. The Congressional Budget Office, in its January 2000 Budget and Economic Outlook, devotes an entire chapter to the uncertainties of budget projections. CBO underestimated revenues by more than 5% in the projections produced in 1996 through 1998. The forecasts CBO produced in two recession years, 1990 and 1991, overestimated revenues by the same proportion. If annual projections present such a challenge, will it be any easier in a two-year cycle? Based on the root mean square error of CBO and OMB one-year and two-year forecasts, from 1977 through 1998, of growth rates for national output there is a significant difference for one-year and two-year revenue projections: on average, one year revenue projections will deviate in either direction by about \$33 billion but the second year projection will deviate by almost \$100 billion.

Many ascribe the difficulties in last year's budget negotiations to discretionary caps that were based on outdated projections of the economy. The biennial budget cycle will guarantee a repeat of last year's problems. According to the General Accounting Office, in its July 1996 study "Issues in Biennial Budget Proposals," "increased difficulty in forecasting was one of the primary reasons states gave for shifting from biennial to annual budget cycles."

There are many reasons Congress fails to enact authorizations and perform serious oversight but none of them have to do with the budget cycle. For decades, Congress has had difficulty enacting authorizations. The House has moved away from making permanent authorizations to re-authorizing programs and agencies annually or periodically. More important, the policy issues that the authorizing committees must decide are the most divisive politically, require mediating among many engaged interests, and are of a highly technical and complicated nature. It takes time to work through the issues, balance all the interests, and forge a consensus. The banking, securities, and insurance industries were sharply divided over the direction that financial modernization legislation should go; it took many years of work, under both Democratic and Republican leadership, as well as the changing dynamic in the market, before the issues were ripe to be resolved. In some areas, such as foreign policy, it is notoriously difficult to forge a consensus and move a bill. Changing the timing of budget and appropriations decisions will do nothing to make it easier to strike a careful balance or persist through the obstacles and knotty problems until the time is ripe for resolution.

The argument that biennial budgeting will help pass authorization bills is based on the premise that scarce floor time is devoted instead to budget and appropriations bills each year. The premise is false. Budget bills do not crowd out authorizations. Ample floor time, often under open rules, has always been provided for every authorization bill reported from committee. Moreover, it is difficult to speak of scarce floor time when we are now in the sixth week of the second session and we have spent 11 days in formal session.

The fact is, biennial budgeting doesn't save time. States with biennial budgets spend nearly as much time in the off-year making budget decisions. Either the legislature performs substantial annual reviews to balance their budgets or the executive branch (or a control board) has the discretion to make the necessary budget decisions in the off-year.

There are also many reasons that Congress fails to do serious oversight. It is hard work to do the investigations and hearings that constitute serious programmatic review. Serious oversight -- the regular, on-going scrutiny of how our laws are implemented and how

taxpayer dollars are spent - is not sexy. It rarely receives media attention and even more rarely wins political points at home for the Members who perform the hard work. A biennial budget cycle will not make the work easier nor the rewards higher.

In fact, biennial budgeting will make it more difficult to do serious oversight. We agree with the Director of the Congressional Budget Office who said, in her April 1997 testimony before the Senate Governmental Affairs Committee, "converting to a biennial budget cycle would have drawbacks for the budget process related to a loss of budgetary control and accountability, and might actually weaken oversight." Biennial budgeting would increase the power of executive branch bureaucrats giving them a longer leash and two years worth of money to spend. Giving up the annual appropriations evaluation of agencies will dramatically weaken congressional control and the ability to do regular review. Agencies respond to congressional requests and demands in part because of the threat of annual appropriations action. Biennial budgeting will actually inhibit oversight.

Biennial budgeting doesn't encourage long-term planning. According to Ronald Snell, National Conference of State Legislatures, "evidence from states that have changed from annual to biennial budgeting over the past thirty years fails to support the contention that biennial budgeting favors long-term planning." If biennial budgeting is not the panacea it is held out to be, why do it?

There are still far too many unanswered questions about how a biennial budget process would work on the national level. Is it wise to shift our entire budget to a biennial cycle? We respectfully think not.

The CHAIRMAN. So I will put you down as undecided on this issue. Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you. Thank you very much, Mr. Chairman. This is an important issue obviously, and the legislative process obviously fundamentally has the role or should include the role of, in addition to legislating, overseeing the executive. One of the reasons I am supportive of this idea and am so pleased that the committee is going to have an opportunity to study the issue more in depth is that the oversight role of Congress and also the authorization role, which is very much connected I think or should be connected to the oversight role, is not working as well as I think it could or it should, and I would think that it would probably be the consensus position that the oversight and the authorization process also, the authorization process is not working well, and so perhaps if the authorization committees had more time, and I think that this structure will permit the authorization committees to have more time and devote more resources to their function, they could probably do a better job.

So I am supportive of this concept. I believe that the biennial budgeting would provide Congress with great opportunities to do the kind of systematic and regular oversight that is necessary to ensure the best possible use of the taxpayers' dollars. So that is why, Mr. Chairman, I commend you for moving forward on this and for holding this hearing.

The CHAIRMAN. Thank you very much. Ms. Pryce.

Ms. PRYCE. Thank you, Mr. Chairman. I came in a little late so if you want to go on to the others and circle back.

The CHAIRMAN. We will come back to you. Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman. I also want to commend you and Vice Chairman Goss for the work you have done on this. I am a very strong proponent of a biennial budget. If you look at how our process works, we come in in January or February. The President submits his budget. We go through the process of laying out what the broad parameters are, and then we get towards the end of the session, and we are nitpicking over small, little issues, it seems like, and finally we get done in October or sometimes even in November and sometimes even December, and we leave here totally exhausted and say, oh, we have done our work. Then we come back in January and do the same process all over again. It just seems to me that that is a waste of our resources to go through that process year after year.

A lot of us have served in our State legislatures I guess maybe kind of cutting our teeth on this process. Washington State, we do have a biennial budget, and it has worked really very well. In fact, because of the rules of our legislature, how it sets up, we have a fine period of time by which we have to get the process done, and to be sure, in the off year, we do have supplemental budgets just like we would have if we had a biennial budget here, but to me it makes a great deal of sense from an efficiency standpoint to allow the Congress which has the oversight responsibility of our spending to have at least another year or have a year that could be confined to more oversight. I know you have to go through the supplemental process.

So I think that the biennial budget is an idea frankly whose time has come, and I am a strong proponent of that, and once again, I want to congratulate you for the work that you have done, and hopefully we can move that this session.

[The prepared statement of Mr. Hastings follows:]

**Statement of Congressman Doc Hastings,  
Member of the Committee on Rules**

Mr. Chairman,

I appreciate this opportunity to express my support for biennial budgeting legislation. I look forward to today's hearing and to continued discussions on this issue.

As a member of the Washington State Legislature for 8 years, I have experience with a biennial budget system. The legislature was required to pass a two-year budget predicting the needs of the state. It was a daunting task that required patience and foresight. However, this process provided the legislators with an important opportunity to more thoroughly investigate the uses of state dollars and oversee state agencies. I believe the Washington State model, as well as the twenty-three other states that employ similar biennial budgeting, provide important examples for implementing a biennial budget system at the federal level.

In Congress, we have witnessed many biennial budget proposals over the years. While four provisions have been enacted into law, a comprehensive biennial budgeting proposal has not been enacted. In the 106th Congress, there are detailed thorough proposals including the Chairman's resolution, of which I am an original cosponsor, expressing the Sense of Congress that a biennial budget and appropriations process should be enacted. With President Clinton supporting the call for a biennial budget, the climate is ripe to enact this important reform. There are simple reasons for supporting two-year budgeting. Reasons that make sense from my experience in the legislature. Biennial budgeting will improve the oversight of federal programs as well as provide stability and predictability in the budget process.

**Congressional oversight**

As members of Congress, we have a constitutional and statutory responsibility to oversee the federal government. I take this responsibility very seriously. With hundreds of programs and agencies, proper oversight requires extensive time and effort. The annual budget and appropriations process requires increasingly more time and resources to complete. Even then, Congress rarely meets the deadlines set for itself in the Budget Act. Lost in this hectic schedule is the authorization process. In FY 2000 alone, \$120.9 billion for 137 unauthorized programs was provided. Biennial budgeting will allow for timely program reauthorization and detailed oversight by authorizing committees resulting in a reduction in unauthorized spending. It is vital for Congress to regularly scrutinize federal programs to eliminate unnecessary federal spending, more closely evaluate program performance, highlight successful programs and ensure executive compliance with congressional intent. Biennial budgeting would accomplish this.

**Stability and Predictability**

The budget and appropriations process has increasingly become a never ending cycle with little time for oversight. Biennial budgeting would give Congress an opportunity to complete our work in a more rationale manner. State and local government programs, private organizations and American taxpayers rely on federal spending. Yet under the current annual appropriations process, those receiving government funds do not know from year to year exactly what level of resources will be available to them. This leads to inefficiencies and less effective management. Biennial budgeting would offer a new level of predictability in the budget process. Finally, a two-year system would result in economic benefits to the American taxpayer. With fewer unexpected changes in tax and spending policies, Congress can reduce disruptions in spending that affect both the private and public sectors.

I recognize that there are several other benefits of biennial budgeting. However, I believe the most important cumulative benefit of a two-year budget process will be a return to better government and trust in the work we do here. We need to use this opportunity to restore faith in our government. Biennial budgeting brings greater efficiency and accountability to our federal government and gives Congress and the President the ability to serve Americans in a more responsive manner.

The CHAIRMAN. Mr. Reynolds.

Mr. REYNOLDS. Thank you, Mr. Chairman. I am pleased to be part of the committee that is holding this timely hearing. As a former legislator and legislative leader in New York, a State which also conducts annual budgeting, I experienced a yearly frustration with the budget process long before coming to Congress. New York's budget process annually ties up the State legislature for months at a time, holding all other legislation virtually hostage. For the last 16 years New York has failed to produce a budget on time. That was my entire 10 years within State legislature.

That background combined with my first experience with the Federal budget last year, as a freshman member of Congress, has convinced me more than ever that biennial budgeting is one of the best alternatives available to improving the Federal budget process. A biennial budget would allow Congress to more carefully and deliberately sort through all of the funding priorities and obligations but to do so only once during the Congress. That would allow a second session to focus on equally important concerns that unfortunately because of our current budget process often fall by the wayside, such as government oversight, reform and management.

I look forward to the testimony of speaker Hastert and my other colleagues in the House.

[The prepared statement of Mr. Reynolds follows:]



**Statement of Congressman Tom Reynolds,  
Member of the Committee on Rules**

Thank you Mr. Chairman. I'm pleased the Committee is holding this very timely hearing. As a former state legislator in and legislative leader in New York, a state that conducts annual budgeting, I experienced the yearly frustration with the budget process long before coming to Congress. New York's budget annually ties-up the state legislature for months at a time, holding all other legislation virtually hostage.

That background, combined with my first experience with the federal budget last year as a freshman Member of Congress, has convinced me more than ever that biennial budgeting is one of the best alternatives available to improving the federal budget process.

A biennial budget would allow Congress to more carefully and deliberately sort through all of the funding priorities and obligations – but to do so once during a Congress.

That would allow the second session to focus on equally important concerns that unfortunately, because of our current budget process, often fall by the wayside: such as government oversight, reform and management.

I look forward to the testimony of Speaker Hastert and my other Colleagues in the House. Thank you Mr. Chairman.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Reynolds. Ms. Pryce.

Ms. PRYCE. Thank you, Mr. Speaker.

The CHAIRMAN. I am not the Speaker, Chairman.

Ms. PRYCE. Excuse me, I got mixed up because the Speaker just came in. Mr. Chairman, you never know, some day. Some day in the future. I am sorry. Mr. Chairman, I support—.

The CHAIRMAN. Time has expired.

Ms. PRYCE. I will put my statement in the record.

[The prepared statement of Ms. Pryce follows:]

**Statement of Congresswoman Deborah Pryce,  
Member of the Committee on Rules**

Mr. Chairman, first, I want to thank you for holding this hearing to start a more formal dialogue on the issue of biennial budgeting. This is an issue that I have long supported, and which I believe has significant support among the membership in the House. I know that out of the many budget process reforms this committee has considered, the one that seems to resonate most among our Republican colleagues is a two-year budget process.

From my perspective, the greatest value to be found in biennial budgeting is the time that we could save and devote to other worthwhile legislative initiatives or programmatic oversight. As my colleagues know, the annual budget process begins at the beginning of February with the submission of the President's budget and does not end until September 30th, if we actually complete our work by the end of the fiscal year. Unfortunately, we often do not meet that goal, and the budget process drags on through October and the months beyond. Then Congress goes home for the holidays only to return to the beginning of a new budget cycle. The countless hours spent on the budget, from analysis, to committee hearings, to floor consideration is really overwhelming. If we had a budget-free year during each Congress, we could spend this time making sure the programs we are funding actually work. Our focus could shift from solutions that call for spending more or cutting funds to reforms based on the management and design of programs. I think it is telling that in fiscal year 2000, \$121 billion in appropriations were provided to 137 programs whose authorizations had expired. We simply do not have the time to analyze and update programs to ensure they are effective.

In my State of Ohio, biennial budgeting has been in place for many years. Yesterday, I received a letter from the Governor of Ohio, Bob Taft, who explains the benefits of Ohio's two-year process. (I would like to submit Governor Taft's letter for the record.) The first point he makes is that the biennial budget process allows more time for consideration of other important policy issues and oversight. The State also has found that less budget staff is required, agencies benefit from long-term planning, and new programs are given a chance to work and produce results before the administrators are asking for more money. As one of the larger states that have implemented a two-year budget process, I hope we can take some lessons from Ohio's experience.

Again, let me thank the Chairman and his staff for organizing this hearing. I look forward to the testimony of my colleagues who have put much time and effort into advancing this cause.

The CHAIRMAN. We are going to read that one.

Ms. PRYCE. And along with it, if you would be so kind, I have a letter from our Governor Bob Taft. In Ohio, we have biennial budgeting, and he supports it strongly, and I will put that in the record as well, and I now yield back. Thank you.

[The information follows:]



**BOB TAFT  
GOVERNOR  
STATE OF OHIO**

February 15, 2000

The Honorable Deborah Pryce  
U.S. House of Representatives  
221 Cannon House Office Building  
Washington, DC 20515

Dear Representative Pryce:

I am writing this letter to convey a few of the positive aspects that I see from budgeting on a biennial basis in Ohio. The State of Ohio uses a biennial budget process for both the operating and capital budget and the process has proven to be successful for many years. Some of the positive aspects of biennial budgeting in Ohio are as follow:

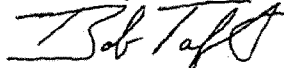
- The biennial budget process reduces the time focused on budget issues and allows more time for consideration of other important policy issues. More time is available for evaluation and oversight of spending, programs, and other issues. Agencies spend less time preparing budget requests and the Administration and General Assembly spend less time reviewing budgets.
- In Ohio, the use of a biennial budget has translated into a smaller budget staff than otherwise would be needed if the budget were prepared on an annual basis, a potential cost saving.
- The biennial budget process provides the opportunity for agencies to do more long-term budget and program planning. It requires the Administration and the General Assembly to look seriously at the economic, revenue and spending forecasts, upon which the budget depends, due to their potential impact or consequences on the proposed budget. This is especially true since Ohio must enact and maintain a balanced budget.
- In Ohio, there are two separate budget processes: the operating budget and the capital budget. By using the biennial budget process, Ohio is able to alternate the two budget processes into different years. This allows the Administration and the General Assembly to concentrate on the budget process at hand.

The Honorable Deborah Pryce  
February 15, 2000  
Page 2

- Another advantage of using a biennial budget process comes into play when a new program is established or an existing program is expanded. With a biennial budget, program administrators have the two years to get the program implemented and established. Program administrators may not feel as rushed into making decisions because of the pressure to have the program fully implemented within a year. Without this pressure, better decisions may be made. Furthermore, when the new or expanded program comes up for review during the next budget cycle, there is more data available and, though limited, some history on the program operations that might not exist if the program were being evaluated on an annual basis.
- Finally, for those entities that receive funding from the state, such as county and local governments, the two-year budget cycle allows them to plan their activities in accordance with projected revenue from state sources and therefore provides stability and predictability to their operations.

The biennial budget process works well in Ohio. Hopefully my insights into this process will be helpful as Congress considers using biennial budgeting at the federal level.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Taft". The signature is stylized with a large, sweeping "B" and a distinct "T".

Governor Bob Taft

The CHAIRMAN. Without objection, Governor Taft's letter will appear in the record, and I would like to say that our colleague Tony Hall also made a comment to me about the fact that you have that in Ohio and that Governor Taft is strongly supportive of that.

I am very pleased to recognize as our first witness for this very important hearing Speaker Hastert. At the beginning of the 106th Congress, Speaker Hastert and I and others sat down and talked about the importance of programmatic and policy oversight, and that is a very important responsibility which the United States Congress has, and the Speaker has been very diligent in pursuing that, and I am pleased that he joined as a cosponsor of the resolution that we introduced last year. Biennial budgeting clearly can do an awful lot to enhance the oversight issue which is a priority for all of us.

We are very happy to recognize you, Mr. Speaker, and look forward to your statement.

**STATEMENT OF THE HON. J. DENNIS HASTERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS**

Mr. HASTERT. Thank you, Mr. Chairman. And it is an honor to be here, Mr. Moakley, members of the Rules Committee.

First of all, I want to take just a minute and thank you for your hard work. There are a lot of committees that do diligent work day in and day out to make this process work, but we ask you to do a little extra. You have weird hours from time to time to make sure that the rules get out in a timely basis so that we can move the bills to the floor, and many times those hours are after everybody else's hours. So I just want to say, first of all, we commend you for the job that you do and the ability to move the rules out to get the job done and appreciate that very much. I know it is sometimes above and beyond this task that we do.

If you will excuse me, I want to read the testimony today because I think there are some important points that I want to make sure we are precise about in this legislation. As the House was concluding the appropriations cycle at the end of the last year, you, Mr. Chairman, along with Chairman Young of Florida and other Members of the committee on a bipartisan basis, introduced a resolution calling for the Congress to enact a biennial budget in the second session of the 106th Congress. Mr. Chairman, I recommend that this happen, and I commend you for initiating this inquiry and beginning a public dialogue on this subject.

The current budget process doesn't work well, and we needed to fix it. Since I became Speaker last year, I have emphasized the need for Congress to do its job under the Constitution, and I have used the word over and over again, regular order. That puts the faith in committees like yours and others to get their jobs done and do it in the process that the Constitution and rules of this House laid out. The public respects us when we get our work done, when we produce a good work product and we do it in an incredible fashion.

When I came to Congress I was not sure if I would ever see a balanced budget in this town. Matter of fact, some people laughed at me when I talked about balancing the budget, and it was some-

thing that didn't seem that would ever happen, but we are fortunate now to live in a time of budget surpluses. These budget surpluses have been created by hardworking Americans, people that go to work every day, people who invest and people with good ideas, but they are also the result of positive legislation enacted by the Congress and by the President in recent years.

However, despite the positive budget forecasts, we continue to do our business under antiquated budget rules and procedures. It has become clear that we can't do our jobs with current cumbersome budget systems in place and every year the appropriations process consumes a great deal of our time with numerous and lengthy debates and often repetitive votes, and sometimes if you have been around here for a dozen years or so, and you listen to the argument year after year after year, it seems sometimes like the movie *Groundhog's Day*. It is the same argument, it is the same debate, it is the same people.

Appropriations are obviously consumed with grinding their bills through committee, to the floor, the Senate and seemingly never ending conferences with the other body and all too often these conferences in particular are consumed with nonbudget, nonappropriations policy issues. This of course soaks up the time of congressional leaders, executive branch, budget experts, appropriators and of course authorizers whose laws these amendments often affect.

A biennial budget process would free up more time on the calendar for thorough consideration of authorizing measures. Under House rules, appropriation bills must conform to authorizing legislation, but all too often we dispense with those rules because the authorization bills don't get enacted. We need to restore the power and the purpose of the authorizing committees.

Mr. Chairman, I served on an authorizing committee, several of them in the House, and observed firsthand the difficulty of moving bills through the House and getting them considered in the Senate. Sometimes it is frustrating and hard work, and I am sure most authorizing chairmen are used to the thing that says get your bills done early or you are going to have to be behind the appropriation bills as they move through the House and to the conferences. If we have a biennial budget process, the authorizing committees won't have to get behind the appropriators as often as they do now.

The House, through its committee system, must also do a better job of conducting programmatic oversight and management of the vast accounts of the U.S. Government. One of the powers of the Congress is the power of the purse, and we need to ensure that we have a system in place which allows us to carefully scrutinize the programs we fund, and I can say probably one of the most productive experiences I have had in my congressional career is sitting on an oversight committee and making sure that the branches of government do the job, and I have to say in a bipartisan basis there were a lot of good things that we were able to put together and move through and to make sure that this government could run better.

Biennial budgeting would give congressional committees the ability to devote more time and resources to programmatic oversight, and this must be a thorough and ongoing process. I have found that it is the most successful when conducted also in a bipartisan



manner. Mr. Chairman, another area a biennial budget process would improve upon the current system would be in the area of budgeting for emergencies.

I am sure many of the members here remember the Mississippi flood situation of 1993 and the difficulty of moving the supplemental appropriations for flood relief through the Congress. Other natural disasters occur and create pressures to move expensive legislation quickly. Unanticipated military operations such as our intervention last year in Kosovo also created the need for supplemental appropriation bills during the fiscal year. Biennial budgeting would force the Congress and the President to plan ahead for unanticipated needs.

Mr. Chairman, the U.S. Government should allow the model of 23 States who have a biennial budget cycle to go forward. The President's budget just 2 weeks ago recommended that the Congress enact a biennial budget. Your sense of Congress resolutions in support of biennial budgeting has garnered support of almost 250 members of the House, which spans the ideological spectrum and includes authorizers and appropriators. I urge you to use your expertise in the rules and the procedures of Congress to work with the House Budget Committee and with the Senate to continue to work on a bipartisan fashion and produce a biennial budget package for the House to consider.

I know there are some other questions out there, the questions of the whole idea of being able to move a tax bill in the second year and the issues of how you deal with the Senate rules, but I think those issues could be worked out. That is why it is important you not only work in a bipartisan basis but I think also on this issue in a bicameral basis.

Mr. Chairman, thank you for your opportunity to appear before you today. I am greatly honored and thank you very much.

[The prepared statement of Speaker Hastert follows:]

**Statement of Congressman J. Dennis Hastert,  
Speaker of the House**

"Mr. Chairman, Mr. Moakley, and Members of the Rules Committee – Thank you for asking me to open your important hearings on biennial budgeting.

"First I would like to commend the Members of this Committee for their diligent service to the House in moving bills to the floor on an almost daily basis. I understand the Committee has strange hours, and you are sometimes tempted to just lock the door, but the House is grateful for your service.

"As the House was concluding the appropriations cycle at the end of last year, you Mr Chairman, along with Chairman Young of Florida, and other Members of this Committee on a bipartisan basis, introduced a resolution calling on the Congress to enact a biennial budget process in the second session of the 106th Congress.

"Mr. Chairman, I commend you for initiating this inquiry and beginning a public dialogue on this subject. The current budget process is broken, and we need to fix it.

"Since I became Speaker last year, I have emphasized the need for Congress to do its job under the Constitution. The public respects us when we get our work done on time and in a credible fashion.

"When I came to Congress, I was not sure if I would ever see a balanced budget in this town. We are fortunate to live now in a time of budget surpluses. These budget surpluses have been created by hard-working Americans, investors, and are also the result of positive legislation enacted by the Congress and the President in recent years. However, despite the positive budget forecasts, we continue to do business under antiquated budget rules and procedures.

"It has become clear that we can't do our jobs with the current cumbersome budget system in place. Every year, the appropriations process consumes a great deal of our time, with numerous and lengthy debates, and often repetitive votes.

"Appropriators are obviously consumed with grinding their bills through committee, the floor, the Senate, and seemingly never-ending conferences with the other body.

"All too often, these conferences in particular are consumed with non-budget, non-appropriations policy issues. This, of course, soaks up the time of congressional leaders, executive branch budget experts, appropriators, and of course, authorizers whose laws these amendments often effect.

"A biennial budget process would free up more time on the calendar for thorough consideration of authorizing measures.

"Under House rules, appropriations bills must conform to authorizing legislation. But all too often, we dispense with those rules because the authorization bills don't get enacted. We need to restore the power and the purpose of the authorizing committees.

"Mr. Chairman, I served on authorizing committees in the House and I have observed first hand the difficulty of moving bills through the House and getting them considered in the Senate. It is frustrating and hard work. I am sure most authorizing chairmen are used to hearing the phrase, "get in line behind the appropriators" when they ask the leadership for floor time in both the House and the Senate.

"If we have a biennial budget process, the authorizing committees won't have to get behind the appropriators anymore.

"The House through its committee system must also do a better job of conducting programmatic oversight and management of the vast accounts of the U.S. government. One of the powers of Congress is the power of the purse, and we need to ensure that we have a system in place, which allows us to carefully scrutinize the programs we fund.

"Programmatic oversight is a critical feature of Congress' funding and lawmaking process. In a bipartisan manner, it allows us to shine the spotlight on how and where the executive branch is spending the money we appropriate.

"Biennial budgeting would give congressional committees the ability to devote more time and resources to programmatic oversight. This must be a thorough and ongoing process, and I have found that it is most successful when conducted in a bipartisan manner.

"Mr. Chairman, another area that a biennial budget process would improve the current system would be in the area of budgeting for emergencies. I am sure many of the Members here remember the catastrophic Mississippi River flood from 1993, and the difficulty of moving the supplemental appropriations for flood relief through the Congress. Other natural disasters occur, and create pressure to move expensive legislation quickly. Unanticipated military operations, such as our intervention in Kosovo last year, also create the need for supplemental appropriations bills during the fiscal year. Biennial budgeting would force the Congress and the President to plan ahead for unanticipated needs.

"Mr. Chairman, the U.S. government should follow the model of 23 states who have a biennial budget cycle.

"The President's budget, just two weeks ago, recommended that the Congress enact biennial budgeting. Your sense of congress resolution in support of biennial budgeting has garnered the support of 244 Members of the House, which spans the ideological spectrum and includes authorizers and appropriators.

"I urge you to use your expertise in the rules and procedures of Congress, work with the House Budget Committee and with the Senate, continue to work in a bipartisan fashion, and produce a biennial budget package for the House to consider.

"Mr Chairman, thank you for the opportunity to appear before your committee today."

The CHAIRMAN. Mr. Speaker, we are greatly honored. As I said before you arrived, this is the first time since you have been Speaker that you have testified before a congressional committee, and I think this is a very important issue to address because, as you stated so well, you want to proceed with regular order and you want to make sure this budget process works, and your support of our effort here is very much appreciated, and I think that the commitment that you have made to expand programmatic and policy oversight is enhanced greatly by your testimony and your commitment to support of this effort.

So I just want you to know how much I appreciate that personally, and we are going to continue working on a bicameral basis. I have been working closely with Senator Domenici on this and also a bipartisan basis, too. We have the chairman of the Appropriations Committee, who is going to be following you with testimony, and many Democrats have joined in working with us on it, too. So we appreciate that.

Mr. Goss.

Mr. GOSS. Thank you, Mr. Chairman. Speaker, it is a pleasure that you are here for us, and I very much appreciate you putting the weight of your office behind this. This is something I think we need to do. Those of us who have been studying it for a number of years may be a little slower to getting to the same position you achieved on this issue. I am there now. I think we have a lot of bedrock testimony. We have certainly canvassed a lot of Members. There is much discussion. I think you have come to the right conclusion.

The only question I would have is do you feel in your role as the Speaker of the House that you will be able to help us bridge the gap with the other body and get the same kind of leadership support that we are getting here? We know we have what we call bedrock support over there, but I don't know that we have enough at the top.

Mr. HASTERT. Well, first of all, yes, I will work with leadership on the other side of the Rotunda. I think they have some legitimate questions about reconciliation and how you deal with those issues in an off budget year for the situation. I think we need to address that, find ways that are satisfactory to both bodies, but I think there is some enthusiasm, and I think we need to work very diligently on both sides of the Rotunda to make sure that this thing works. It can't be something done here and not done on the other side of the Rotunda.

Mr. GOSS. Thank you very much. I know we are going to need your help.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. Speaker, it is nice to have you before the committee.

Mr. HASTERT. It is always an honor to appear before you, sir.

Mr. MOAKLEY. Couple of things that bother me, but one thing that bothers me is Ohio is the only big 10 State that has got a biennial budget, and since 1940 over 20 States have changed from biennial to annual because of the influx of supplemental budgets that keep coming up, and they don't have enough chance for over-

sight. So I was wondering, you know, since the direction seems to go in the other way, why you feel it is a good idea to go biennial.

The CHAIRMAN. If the gentleman would yield, I think it is important to note that Texas has biennial. It is not a big 10 State but it is a big State.

Mr. MOAKLEY. But I said a big 10 State. Now you know what I have to put up with here. Half truths.

The CHAIRMAN. He is surviving well.

Mr. HASTERT. Let me just say that since I have been in the Congress, since 1987, I think every year we have had a supplemental, even when we do an annual budget. I always believed that if you would work a little harder at the beginning and try to set aside and have the ability to address a rainy day fund or whatever type of way you would do that, and I am not the budget expert, the Budget Committee working with you can do that, but I think there are ways to anticipate that. Plus the fact, we have supplementals every time you turn around here as the way it is, and I think we have been able to handle those supplementals, but so many times I know that frustration that well, you know, if we can't get it done we will just stick it in the supplemental.

I think this will give us the discipline to try to look through a 2-year span of time, try to put the needs of the government in perspective, and if there is an emergency, then we can move forward. It doesn't prohibit us from moving a supplemental, but you know, we have those supplementals today. Sometimes we even see last year on both sides of the aisle, ours including your side of the aisle, we add on to the supplementals in ways that years ago would have made your head spin.

Mr. MOAKLEY. That is what I am afraid of, that a bill like this would just add to the supplementals and you know how they get that Christmas tree look and more things are hung up and it provides more chaos for the legislative body.

Mr. HASTERT. My reply to that is that I think probably you are warranted in your concerns on this, but we do have a supplemental process today. Every time we turn around, we have two or three supplementals a year which slows down our appropriation process to be able to get anything done. I know it slowed it down last year, and I think if we can move this process through with one major appropriation bill every Congress or process every Congress and then we can have some time to deal with the supplementals if they occur, but we need to anticipate what the needs are ahead of time, and it will give us the discipline to do that.

You know that is all theory. I have learned a long time ago in this business sometimes theory and practice don't come together. So I appreciate your concerns. I am not discounting them. I think maybe this is a possibility to do it a better way, and I would hope that we explore it and have the testimony on it.

Mr. MOAKLEY. Thank you very much.

The CHAIRMAN. Thank you, Mr. Moakley. Ms. Pryce.

Ms. PRYCE. Thank you, Mr. Chairman. Let me take this opportunity to reassure everybody that I know the difference between our chairman and our Speaker, and they both do a fine job on that and may they continue in those jobs years and years and years to come.

Mr. Speaker, thank you for your support. This is an issue that will affect everything we do around here. It is so important that we examine it carefully. We in the Rules Committee have been looking at it through the years, and I have been working with Mr. Goss and his subcommittee, and it is something we should proceed with carefully, but it is wonderful to know that we have the support of your office.

I worked with you on committee projects in the oversight area before when I first came to Congress, and I know how very important that is to you and to us as a body, and I believe very strongly that this will give us the opportunity to do more of that, which is just as important as the legislative work we do.

So thank you very much for your support. I have no questions.

The CHAIRMAN. Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you, Mr. Chairman. Thank you, Mr. Speaker, appreciate you coming here and honoring us and also appreciate your support and agree with you.

The CHAIRMAN. Mr. Hastings.

Mr. HASTINGS. I just want to add my thanks to you, Mr. Speaker, for being here and supporting this because this is clearly when you look at the tradition of policy, and this is a huge change from the past. I congratulate you for being out in front.

The CHAIRMAN. Mr. Sessions.

Mr. SESSIONS. Chairman, thank you. Speaker, I also want to thank you and say that I am delighted that through your leadership we have another example of a bipartisan approach solving the problems of Congress, and I appreciate your leadership. Chairman, I would also ask unanimous consent that my opening statement be included in the record.

[The statement of Mr. Sessions follows:]

**Statement of Congressman Pete Sessions,  
Member of the Committee on Rules**

I am pleased that the Rules Committee is meeting today to consider an important measure that I believe will improve efficiency and reduce the amount of tax dollars the Federal Government consumes.

As Chairman of the Results Caucus, I am constantly looking for ways to reduce waste and mismanagement in Government. Clearly, biannual budgeting is consistent with these principals.

Undoubtedly, establishing a two-year budget process and appropriation cycle would cause a sea change in the way Congress and government agencies approach funding.

Enacting biannual budgeting will also decrease public cynicism about government. Currently, Congress and the Administration begin budget negotiations for the next year as soon as the complete negotiations for the previous year. This process is confusing for the public and often creates a mad year-end rush where politics often trumps sound policy. Biannual budgeting will reduce the number of year-end train wrecks, which reflect negatively on the institution, particularly in election years.

I am a strong supporter of biannual budgeting and I was pleased to work with Chairman Dreier to secure 244 cosponsors for H.Res. 396 calling for Congress to enact biannual budgeting.

I look forward to the testimony by the distinguished panel today.

The CHAIRMAN. Without objection, it will appear in the record. Mr. Reynolds.

Mr. REYNOLDS. No questions, Mr. Chairman.

The CHAIRMAN. Thank you very much. Mr. Speaker, thank you very much for being here. We appreciate your support and your thoughtful testimony and look forward to continuing to work with you on this issue. Thank you.

Now, we are very pleased to recognize the distinguished chairman of the Committee on Appropriations, the man who joined with me as a lead cosponsor of the resolution introduced in the waning days of the first session of the 106th Congress, and Chairman Young, we are happy to have you and look forward to your testimony.

**STATEMENT OF THE HON. C. W. BILL YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. YOUNG. Mr. Chairman, thank you very much, and I appreciate the lead you have taken on this issue. If I could add a personal comment to my friend, Mr. Moakley, I did not bring my cell phone this time.

The CHAIRMAN. So Beverly will not be calling you.

Mr. YOUNG. I don't think so. We still have a few minutes.

Mr. Chairman, I was first elected to the Congress in 1970 and came here in the 92nd Congress. We did not have a budget resolution at that time. We did not have a Budget Committee. We did have a lot of big spending. If a Member could convince the Appropriations Committee to spend, we spent. But we had continuing resolutions even back then. We had supplementals even back then. At one point we changed the time of the fiscal year. Rather than beginning July 1 we made it begin on October 1. That might have been a plus. Sometimes I wonder about that. But anyway we eventually adopted a budget resolution process. We now have a Budget Committee. We have all these safeguards now and our national debt has gotten considerably larger since that happened. We still continue to have continuing resolutions and we still have supplementals. So that didn't solve the problem. So I am happy that you are taking the lead in considering a different approach to the budget process and primarily the biennial budget approach.

So it is a pleasure to be here to give you my thoughts on this biennial budgeting, and, Mr. Chairman, you and I have discussed this many times in person so we pretty well know what each other's ideas are. But for the benefit of the committee, let me say the fiscal year 2001 budget is the 27th budget that I will have worked on since I began serving on the Appropriations Committee. During nearly every one of those budgets my committee was either rushed for time or was late in completing its work or both. This year we received the budget in early February. By that time over one-third of the fiscal year was already gone, and we now have less than 8 months to get all the appropriations bills enacted.

We are supposed to receive the overall allocation against which we mark up our appropriations bills by April 15th, and I don't need to provide the history of how many times Congress has not been able to meet that deadline for a budget resolution. The record is



very bad. In some years we haven't even had a budget resolution. The reason has been it is hard to do a budget resolution given the conflicting priorities that are inherent in the effort and the fact that we have had a divided government for most of the recent past.

Even if we get a budget resolution completed by April 15th, we still would have less than 5-1/2 months left to get our appropriations work done. I have brought a poster I would like to show to you. If you look at this chart, this shows the 12 months of the year, but instead of starting in January the chart starts with October because that is the beginning of the fiscal year. October is red because October is gone. November is red, it is gone. December is red, it is gone. January is gone. It is red. February, well, we are past the 15th now. We were on the 15th when we colored this one up, but starting tomorrow, the 17th, we are not going to be in session, across here, across here. We will be in session here. We will not be in session on these blue days. Look at the blue marks there, the House will not be in session and committees will be scattered and Members will be scattered.

Now, we are supposed to get this year, and I am satisfied the leadership will do this, a budget resolution by March the 15th and that is good news for us as appropriators, but let us say we get it March the 15th. If we get the budget resolution March the 15th, look at how much time is gone before the appropriators can actually begin to get their work because I can't assign 302(b) allocations to the 13 subcommittees until I get a 302(a) allocation from the budget resolution. So you see what happens here, and look at all of the blue space when there will be no sessions here. So we can't bring bills to the floor.

Now, with that limited amount of time, we have to do 13 regular bills, plus whatever supplementals we have, and then deal with not only getting them through the House but through the Senate and with the President.

As you can see by the calendar, that would leave only 6-1/2 months for our appropriations work. That is better but it is not enough. I think we need more time than this to develop and enact appropriations bills because one of the reasons that the Appropriations Committee goes into so much depth on appropriations is we are to provide oversight to determine if the money is being spent properly, if there has been adequate justification to prove that we actually need this amount of money because we don't want to spend any more money than is absolutely necessary.

And I believe that biennial budgeting legislation should be developed to provide additional time for Congress to consider appropriations bills and to give us more time to provide that oversight. How many times have we passed appropriations bills and then read in the newspaper a month later or 6 months later that such and such a project was in there and no one claims to know how it got there. Well, sometimes we don't know how it got there, but it got there because we didn't have the time to devote as much as we should to the oversight.

Now, the legislation you consider, is this the total answer, do we have the final plan? Probably not but we have to start somewhere, and whether this means shoving the date for budget submissions back earlier, shortening the time for development of a budget reso-

lution or moving the beginning of the fiscal year ahead as was done in the '70s or a combination of all of these, it is something we need to consider in order to make the proper decision. But we need more time for the appropriations process so that we don't get to the end of the fiscal year, negotiating with the President, whoever that President might be, leaving Congress in a real bind, not having adequate time to negotiate because the fiscal year is running out and the threat of closing down the government is hanging over our head.

While doing this might seem like we are taking more time on appropriations rather than less, which is one of the assumed goals of biennial budgeting, we would really be freeing up legislative time. This is because even though we need more time during the year for appropriations, we would only have a major appropriations effort every other year. The off years would be devoted to oversight and authorizing work plus fine tuning of the appropriations bills passed the year before.

While my main reason for looking at biennial budgeting is to get more time for the appropriations process, one of the stated reasons of others I have heard has been to give more time for oversight activities by our authorizers because oftentimes appropriations are ahead of the authorizers, which is not what our system intended. One of the reasons appropriations takes so much time is because so many programs are not authorized at the time we consider their appropriations. So then we get hit with the controversial legislative issues that are inappropriately included in appropriations bills rather than authorizing bills where they should be.

I strongly believe that any biennial budgeting legislation should not only address the budget schedule of the Congress but also the authorizing process. If all that biennial budgeting achieves is a 2-year appropriations cycle, we will be as bad off with the 2-year bills as we are with the 1-year bills. We need multiyear authorizations and we need them in advance of the consideration of appropriations bills in order for biennial appropriations to work. While biennial budgeting will give additional time for oversight by authorizing committees, they must develop and enact authorizing legislation with this extra time so that appropriations bills do not become the vehicles for every controversial issue before the Congress.

I want this committee to know that the Appropriations Committee also does a lot of oversight. We will continue to do a lot under a biennial budgeting calendar. I think it would be good for authorizing committees to do more as well. They need to use the information they learn to review and modify the permanent legislation that is on the books and to pass authorizations to appropriate. Requirements to bring this about should be included in any biennial budgeting legislation.

I have also heard that biennial budgeting legislation might become the vehicle for other budget process reform. I want to make sure this committee understands that we need reform that will serve the American taxpayer better. I would urge you to be very careful not to load up any biennial budgeting legislation with other controversial budget process legislation. Support for and success of any biennial legislation may well be contingent on what else, if anything, might be included in this legislation.

For the reasons I have outlined, I believe that now is a good time to look at implementing biennial budget legislation. I urge the committee to hear from a broad range of experts on the matter, listen to their concerns and see if we can improve the budget and Appropriations process.

I thank you very much for your generosity with your time, Mr. Chairman. I have completed my statement.

[The prepared statement of Mr. Young follows:]

**Statement of Congressman C.W. Bill Young (R-FL)**

Mr. Chairman, it is a pleasure to appear before your panel to give you my thoughts on biennial budgeting.

The fiscal year 2001 budget is the 27th budget I will have worked on since I began serving on the Appropriations Committee. During nearly every one of those budgets, my committee was either rushed for time or was late in completing its work or both. We receive the budget in early February. By this time, over one-third of the fiscal year is gone, and we have less than eight months to get all the appropriations bills enacted.

My committee is supposed to receive its overall allocation against which we mark up our appropriations bills by April 15th. I am not going to provide the history of how many times the Congress has been able to do that, but the record is very bad. The reason is that it's hard to do a budget resolution given the conflicting priorities that are inherent in the effort and the fact that we have had a divided government for most of the recent past. Even if we got a budget resolution completed by April 15th, we have less than five and one-half months left to get our work done.

This year we are trying to get the budget resolution done by March 15th. As you can see by the calendar, that would leave still only six and one-half months for appropriations. This would be better, but may not be enough.

I think we need more time than this to develop and enact appropriations bills. This is why we should take a look at how biennial budgeting might help us.

I believe that any biennial budgeting legislation should be developed to provide additional time for Congress to consider appropriations bills. Whether this might mean moving the date for budget submission back, shortening the time for development of a budget resolution, or moving the beginning of the fiscal year ahead or a combination of all of these, I don't have a preference. I just feel that we need more time for the appropriations process.

While doing this might seem like we're taking more time on appropriations rather than less, which is one of the assumed goals of biennial budgeting, we would really be freeing up legislative time. This is because even though we need more time during a year for appropriations, we would only have a major appropriations effort every other year. The off years would be devoted to oversight and authorizing work plus some fine tuning of the appropriations bills we passed the year before.

While my main reason for looking at biennial budgeting is to get more time for the appropriations process, one of the stated reason of others I have heard has been to give more time for oversight and authorizing activities. One of the reasons appropriations takes so much time is because so many programs are unauthorized at the time we consider appropriations for them. The controversial legislative issues get inappropriately included in appropriations bills rather than authorizing bills. I strongly believe that any biennial budgeting legislation should not only address the budget schedule of the Congress, but also the authorization process. If all that biennial budgeting achieves is a two year appropriations cycle, we will be as bad off with the two year appropriations bills as we are with the one year bills.

We need multi-year authorizations, and we need them in advance of the consideration of appropriations bills in order for biennial appropriations to work. While biennial budgeting will give additional time for oversight by authorizing committees, they must develop and get enacted authorizing legislation with this extra time.

I want this committee to know that the Appropriations Committee also does a lot of oversight. We will continue to do a lot under a biennial budgeting calendar. I think it would be good for the authorizing committees to do more, too. But, they need to use the information they learn to review and modify the permanent legislation that's on the books and to pass authorizations to appropriate.

Requirements to bring this about should be included in any biennial budgeting legislation.

I have also heard that biennial budgeting legislation might become the vehicle for other budget process reform. I want to make sure this committee understands that we need reform that will serve the American taxpayer better. I would urge you to be very careful not to load up any biennial budgeting legislation with other controversial budget process legislation. Support for and the success of any biennial legislation may well be contingent on what else, if anything, might be included in this legislation.

For the reasons I outlined, I believe that now is a good time to look at implementing biennial legislation. I urge the committee to hear from a broad range of experts on the matter. Listen to their concerns and see if we can improve the budget and appropriations process.

Thank you for the opportunity to testify.

I would be happy to answer any questions you may have.

The CHAIRMAN. Well, Mr. Chairman, it is just the two of us at this point.

Mr. YOUNG. I noticed.

The CHAIRMAN. The reason is we have got a vote going on downstairs. We have about five minutes left on the vote downstairs. We are going to try and continue the hearing process here, but let me just raise the one issue that you brought that I think is very important. It is the question of supplementals.

Now, we in the past quarter century, since passage of the '74 Budget Act, have seen on average three supplementals per year, and what would you anticipate if we were to move to the biennial process?

Mr. YOUNG. Mr. Chairman, I would anticipate that we would still continue to have supplementals, for this reason, that supplementals supposedly are just to deal with emergencies, and we never know when there is going to be a real emergency, whether it is here at home or whether it is abroad with one of our allies, one of our friends. So I don't think we can rule out the use of supplementals. We have one before us now that we will be bringing to the House as soon as we reconvene from next week's District home work period, and that supplemental is dealing with Kosovo. Whether you support that or not, it has to be paid for because the money is already being spent. It also deals with the antidrug programs in Colombia specifically and other areas in that part of the world, but that is becoming a very serious emergency and does need to be dealt with. There are floods, there are hurricanes, there are earthquakes and we don't know when they might come.

So I think that there still will be calls for supplementals but I think this will give us an opportunity to focus on supplementals and try to make sure that they only come up when we deal with real emergencies rather than just someone's idea to spend more money.

The CHAIRMAN. I would like to just raise one other question before we go downstairs to vote on the rule of the bill that we are going to be considering, and that is, I particularly congratulate you because there has been this view from members of both the Budget Committee and the Appropriations Committee that this step would somehow undermine their authority, their power, their opportunity to participate in the process. Do you have any thoughts on that at all?

Mr. YOUNG. I do, and without going into a lot of detail, I actually believe this would help us create an environment where we would have a better working relationship with the agencies in the executive branch that we deal with. It would also give them an opportunity for their suppliers, people they buy goods from, for the military to buy spare parts or to buy parts for an ongoing weapons system, that they could plan ahead and buy in quantity lots rather than jumping at one buy at a time, 1 year at a time. Quantity purchases have proven to be very cost effective.

The CHAIRMAN. Thank you very much. I appreciate that. We are going to continue the hearing. Mr. Goss is going to take over. You and I are going to go downstairs. We can proceed with Mr. Obey.

Mr. GOSS. [Presiding.] Thank you, Mr. Chairman. Mr. Obey, we welcome you to the committee. We are prepared to accept without objection your prepared remarks and your guidance on this matter before us.

**STATEMENT OF THE HON. DAVID R. OBEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN**

Mr. OBEY. Well, Mr. Chairman, let me say first of all that when I hear discussions about this, I am reminded of my old friend Archie the cockroach. Archie said once, he said did you ever notice that when a politician gets an idea he gets it all wrong, and with due respect to those who have testified, I think what is being contemplated would be a horrendous mistake, and I would like to make a couple points.

I do not come here testifying in my capacity as ranking member on the Appropriations Committee. I detest dung hill politics. I detest chicken blank jurisdictional debates. They belong in the ash can. But I have been here for 31 years, and I think I have learned a little something about this place, and I think I have seen many a process change which produce unintended and unforeseen consequences, and I am testifying here on a matter that I regard to have absolutely no partisanship. This is an institutional question. This institution that we are all privileged to be Members of is a very precious national resource, and we had better be very careful before we make dramatic changes that will weaken it in any way, and I think this will weaken it in the most profound possible way.

I would note in listening to the testimony so far that we have heard that the current process is a mess. I absolutely, totally agree, and I think it needs major changes, and I will be happy to discuss with you what changes I think those ought to be. I am concerned from having heard the initial statements that we are essentially talking to a closed jury here because it appears people already have their positions pretty well firmed up. I regret that. I hoped that I could help change some minds.

I want to say that I understand the existing process has severe problems, but in legislation, as in medicine, the remedy should not make matters worse, and I profoundly believe that this will.

Secondly, I have heard that appropriations consume too much time. I believe that a 2-year budget process will lengthen, not shorten the time that we take to deal with our budgets each year, and I will explain why later.

Third, I have heard that people want to make a change because they are tired of all of these nonbudgetary, nonappropriation riders being added to the bills. So am I, but this will create a situation where there will be more because if we have a 2-year appropriation, the stakes will be much higher. People will have only one kick at the cat, and so you can count on them to load them up and then you can count on those who missed to be doubly alert to their opportunities to do so on supplementals, and I will explain how that disadvantages the House.

It has been alleged that this will create more opportunity for oversight. It will do nothing of the kind.

It has also been asserted that this will help us to deal with emergency issues on a more effective and regularized basis. I would sug-

gest that logic suggests if you set your appropriations in stone for 2 years, it is very much more difficult to anticipate 2 years down the road than 1 year down the road, and so I think you will have an even more chaotic consideration of emergency or so-called emergencies than we have right now.

I will do something that I very rarely do in this or any other committee. I want to stick fairly close to the text of my testimony because, like the Speaker, I think this is perhaps the most serious issue about which I have ever testified before this committee, and of all committees, this committee needs to be more concerned about the role of this institution than any other committee.

I believe that is what is before you today will seriously undermine the Constitutional responsibilities of the legislative branch of this government. I think it will give the executive branch more leverage than it has today. It will create more chaos rather than less because there will be a constant stream of supplementals going through this place, and because so much can change in the economy over a 6-month period, not to mention 2 years, we will find ourselves locked into policy decisions that new circumstances will dictate changing, and Members will use that as an opportunity to Christmas tree every vehicle that goes through here with I think disastrous results to our reputation.

If you look around the world, as Members of Congress, we are unique among legislators. We have far greater individual power, we have far greater responsibilities than our counterparts in any legislative body on the face of the globe. We didn't make it that way. Our Founding Fathers made Congress the first branch of government, and they conferred on it also the power of the purse to enforce that. And they insisted that it keep the executive branch on a very short leash. And it is the length of that leash that determines the balance of power in this town and in this government. This proposal will substantially lengthen that leash. It will expand the power of career employees in the government who feel that they are largely responsive to no one.

The one argument we hear in favor of biennial budgets is that States do it so we should too. Mr. Moakley has already pointed out that that argument is, in my view, deeply flawed. It is one thing to come from a State of four million or five million people or even Texas. Texas doesn't have to deal with 170 countries around the world. They don't have to deal with international economic crises. They don't have to deal with all of the broad, national issues we have to deal with.

Most of the States that practice biennial budgeting have populations smaller than the four million people currently on the payroll of the Federal Government, and as Joe has mentioned, at the State level we moved from having 44 States in 1940 who had biennial budgets to 21 today. I think it is fine for some of them. I think it is not fine for someone with our responsibilities.

Proponents of this legislation don't appear to understand that there are numerous agencies that are not responsive to their own appointed leadership within those agencies. They are even less responsive to departmental management at the White House, and they are certainly even less responsive to the Congress, and this proposition will make that worse.



The healthiest thing that happens in this town occurs each year in the annual budget review. That is the one moment in time when senior program managers are confronted by the possibility that they were not ordained by God to set government policies on their own without benefit of election. And removing that requirement for annual review will affect not only our ability to ensure that the laws be fully executed, but it will do some other things as well. I would like to describe to you the calendar that we will have if this process works the way its proponents say it will work.

We will get elected in November. We will come here and ideally they tell us by the middle of the first year we will have our appropriation process done. If that is the case, then "ain't nobody" in any of those agencies who is going to need a single Member of the House of Representatives for anything for the next year and a half, and that will make them far less responsive to the demands and needs of your constituents than they are today.

And I would point out that the only ones who will have a continuing interest in what we feel are the agencies that are affected by supplemental requests. And the problem with supplementals is that they are always focused on program increases to meet concerns that we have, but frankly, those program managers are a hell of a lot more interested in their own bureaucratic budgets and their own administrative budgets than they are in whether you actually get an increase or a decrease in their programmatic budget. And so supplementals will not give you the leverage on agencies that the annual review of their operating budgets will give you.

Now, some proponents say that that will give us an opportunity for more oversight. I don't believe that is true either. The principal job of oversight in this institution is done by the 16 committees in the House who have jurisdiction. They are not the Appropriations Committee. They are the authorizing committees. The Appropriations Committee does a lot of oversight, but it is a different kind of oversight. We oversee to see how they are spending Federal money and whether they do what we like or not, but often the Appropriations Committee is at variance with the authorizing committees in terms of how they want to see these laws develop. So the Appropriations Committee doesn't do oversight that benefits authorizing committees. In enforcing, authorizing committees demand that agencies follow the law the way they are written, and these programs are not supposed to be designed by appropriations. They are supposed to be designed by authorizing committees.

Secondly, when authorizing committees and appropriations committees do agree, the appropriations process has been the primary vehicle by which agencies have been disciplined to make certain that they do follow the intent of the authorizing law, and when you lose your annual opportunity to get at them, you lose your ability to really discipline those agencies.

We also have the question of whether authorizing committees will have more time for oversight if we pass this. I would point out that right now we have a terrible time getting authorization bills to the floor. Authorizing committees will tell the leadership it is because we don't have votes here to keep committees going so Members go home. And the leadership will say "Well, my God, we don't have votes because you guys aren't producing your legislation."

And the fact is the only time when we have a sustained period of votes on the floor is when we are going through the appropriations process, and with all of the interruptions and inconveniences that that causes, that is when your authorizing committees have the best opportunity to actually get their quorums to move legislation.

I agree with Bill Young we need more long term authorizations. That is one of the changes I favor rather than this, but I ask you to remember these hard facts when you look, not at the surface of the oversight issue, but when you actually get down to the nitty-gritty about how it operates.

Our problem right now is that we can't even get to annual budgets, much less biennial budgets, and let me give you an example. Last summer the Speaker and some of the members of the Foreign Affairs Committee decided we ought to spend more money fighting drugs and the insurgent guerrillas in Colombia. So they and the administration began putting together a plan for \$1 billion in additional spending. They began discussions with General McCaffrey, the drug czar. Reports were leaked to the press about what they were talking about, and then it was decided that the fiscal 2000 budget was getting too dicey, it was already too hard to pass it. So rather than including that extra billion dollars in the regular budget, both the Republican leadership and the Congress and the White House agreed to hold off and handle it in a supplement. So in other words, while both sides, while both the White House and the House leadership are talking about we need to go to biennial budgets, they are not even committed to making an annual budget stick. And so what we wind up with is that now we have a package which is going to be about \$4 billion, and it is going to be handled outside the regular appropriations process. That is going to jack up spending, not reduce it.

Now, I am not arguing for or against the substance. I am simply saying that when you consider these items outside of the normal overall budget, annual budget, the costs will go up rather than down because it is easy then to shift money out of this year around into the previous year or the following year, and you get away with it, and that is not a credit to the U.S. Congress.

I also want to point out that what happens is that when supplementals move through this place, and this will greatly increase the number of supplementals, because if you are stuck over a 2-year period, every agency will be looking for a supplemental every day of the week, and you will be stuck here until the cows come home dealing with them, and what will happen is that there is a difference between the way the House handles supplementals and the Senate.

The House has a tight rule of germaneness. That means when you have a supplemental come before the House, we won't be able to Christmas tree it with other items that are not germane because you have the Rules Committee to stop that. "Ain't got no" Rules Committee that functions that way in the Senate. So what happens? They see a must pass bill. The administration wouldn't have asked for it unless they really wanted it badly. So they know the administration is willing to give damn near anything to get it. So what do they do, they load it up on the Senate side, and after the initial appropriations, the House will lose its traditional power to

initiate appropriations, and you will have the Senate Christmas treeing these bills to death. We will be reacting to them, and we will have lost our constitutionally determined preeminence in originating appropriation items, and I do not see why Members of the House would do that.

Also, there are numerous opportunities every year to save money out of operating accounts for a number of agencies, and those will disappear with the biennial budget process. Every appropriations subcommittee finds in the course of its regular hearings that agencies haven't been able to expend certain amounts of money, and so we take that into account in the program levels we provide for next year, but if once an agency has its money, it can sit there for 2 years before they have to spend it, you aren't going to have Congress being as aggressive on the rescissions as they will be on supplementals, and so money which you would ordinarily recoup to reduce the cost of next year's appropriation will sit in those agency coffers and it will be lost, and that will also elevate the cost of government.

There is another aspect that I find troubling. People say this is going to shorten the time we spend on appropriations. My eye. Right now, the only reason that we are able to finish our work in a calendar year most of the years is because we all know that we want to get the hell out of here by the time the holidays come. Now by God, if you wind up with a 2-year budget, all of those arguments are going to slop over the holidays, they are going to slop into the next calendar year, and we will have year and a half fights and 2-year fights before we finally get these resolved, and all of the time in the House will be consumed by appropriation processes, and frankly, I don't have that much energy. I have a lot of energy, but by God we log more time on the House floor than any other committee now. I certainly don't want to increase that, and I deeply believe that it will.

I just want to say I fully understand the frustration with the existing process, but very often human beings duck responsibility, and we look for ways to blame the institution rather than looking at the way we ourselves deal with the problems that we face. And if you look at why it is a mess, I think there are a number of very good reasons.

First of all, the budget process, you saw that red part on Bill's calendar. The budget process starts all too often with unrealistic assumptions coming out of the Budget Committee and the administration. All the administration has to do to produce a budget is to produce a document which they say meets the targets, and if they do that, they get a bye from the press. Then the Budget Committee comes up and they don't have to answer the question: "Is this a wise budget?" All they have to answer is: "Does this meet the targets." So they invent all kinds of assumptions. My high school history teacher told me. "Above all else in life, Dave, question assumptions." My God, if you look at what has happened, we have had a succession of appropriation fights that have been dragged out because very frankly what has happened is because the initial resolutions were so unrealistic the clock had to run until people were forced on both sides of the aisle to recognize what was real, and I think there is a way to fix that.

We are the only institution I know that places responsibility for planning a budget in the hands of those that are different from those that are charged with executing it. With all due respect to the Budget Committee, once they pass their overall plan, they don't have to deliver on the results.

If the people who craft this overall plan for a budget have no responsibility for its execution, then you can expect that it is quite likely to simply support a plan that they would personally like to see rather than one that might actually work and might actually pass. I think that is one fix we ought to make.

Secondly, we have got to have a more rational way of dealing with emergencies, and it is not more rational to double the time because then you will have more emergencies, it will be an even more irregular process.

I think the Federal Government plays too large a role in dealing with natural disasters, for instance. I think that we need to have a system by which States can buy into an insurance program underwritten by the Feds on an experience rated basis, so that if they have natural disasters, they have already paid into an account. I don't see why Uncle Sam ought to shell out dollars every time somebody has a tornado or a flood or some other problem. We ought to help but the primary responsibility ought to be your State and local governments, and we ought to be able to structure an emergency process that deals with that.

But the biggest problem by far in the appropriations process does not exist in the House. It exists in the other body, and the problem is that the Senate has permitted far too much latitude to its Members to inject any issue they want into any legislative vehicle. And what that means is that when authorization after authorization gets tied up, the only thing that they can do to get their input is to attach a rider to an appropriation bill, and that is what in my view has killed the ability of the appropriations process to function effectively.

The rules in the Senate are such that you can't proceed under normal circumstances unless every single Senator agrees, and routine decisions about a budget have to be made by 60 percent. To me the way to resolve this problem is for the Senate to adopt new rules. It makes no sense to allow them to continue to do what they do.

But I urge you to remember, if you move to a world of constant supplementals, which this will create, the House will lose its traditional preeminence. The Senate will be in the driver's seat. It is the Senators who will determine what the add-ons are going to be to appropriations bills, and all we will be doing is reacting to Senate initiatives and that is not something that we, with our congressional responsibilities, ought to blithely hand over to them.

[The prepared statement of Mr. Obey follows:]

**Statement of Congressman David Obey (D-WI)**

Mr. Chairman, I appreciate the opportunity to testify before your committee today. I wish that it were for the purpose of telling this panel that it had found a mechanism by which we could improve the decision-making processes of this institution. Unfortunately, today I cannot do that. I must instead warn you that you are considering a measure that will in my opinion:

1. Seriously undermine the fundamental Constitutional responsibilities of the Legislative Branch of this Government, thereby giving the Executive Branch even more leverage than it has today.
2. It will create more chaos rather than less because we will have a constant stream of supplementals going through this place, which will be much larger because so many things will change over a two-year period.
3. Because so much can change in the economy over a two-year period of time, we will find ourselves often locked in to policy decisions that new circumstances will dictate changing.

Let me elaborate.

As members of Congress, we are unique among legislators around the world. We have far greater individual power and responsibilities than our counterparts in virtually any country on the planet. This is not basically because we as members decided that the Congress should play such a role. It is because our founding fathers thrust it upon us. They had a deep and abiding distrust in the executive powers of any government, even one organized by an elected president. As a result, they not only made the Congress the first branch of government but they conferred on it the power of the purse and insisted that it keep the executive branch on a very short leash. It is the length of that leash that determines the balance of power in this government and this proposal would significantly lengthen that leash. Simultaneously, it would expand the discretion of career employees of the executive branch with respect to the policies and operations of the federal government.

The one argument that we hear repeatedly in favor of biennial budgeting is that the states do it so we should too. I would observe that this is not a state government and any argument to that effect is deeply flawed. This is a government that serves 280 million people. This is a government that maintains a political, military and economic complex that dominates the course of relationships among virtually all countries on the globe. While it is true that 21 states have some form of biennial budgeting (that is down from 44 in 1940), it is also true that most of the states that practice biennial budgeting have populations smaller than the 4 million people currently on the payroll of the federal government.

The fact that proponents of this legislation have not placed in perspective is that there are numerous agencies in this government that are not even responsive to their own appointed leadership. They are even less responsive to departmental management or the White House and still less responsive to the Congress and this proposition will make matters worse. The healthiest single event that occurs in this town each year is the annual budget review. It is the one moment in time when many senior program managers are confronted with the possibility that they were not ordained by God to set government policies on their own.

Removing this requirement will affect not only our ability to ensure that laws are fully and faithfully executed, it also diminishes the ability of House Members to effectively represent and advocate for their constituents. Let me describe the calendar that you will confront in a biennial budget process. A member of Congress will win election in November and be "sworn in" in January. By May, the Appropriations subcommittee will have to complete action on program by program funding levels. Those will be subject to review by the full House in June. At that point House members are pretty much finished with their decision making with respect to most programs and agencies. To put it another way, most parts of the federal bureaucracy won't need you again until after you are re-elected. The only ones who will, will be those who are affected

by the supplementals that go through here and those supplementals will probably not affect the portion of their budgets that agencies are most concerned about – their own administrative functions. Instead, they will simply be additions to programs which in many cases will be of more importance to constituencies in your district than they will to some of the permanent bureaucracy that runs these agencies.

Some proponents argue that biennial budgeting will provide the Congress with more opportunity to do oversight. Frankly, I don't think there is any claim with respect to biennial budgeting that is further off the mark. The job of insuring that federal agencies are conforming to the letter and the spirit of the laws that created them lies with the committees that wrote those laws. There are 16 committees in the House who have such jurisdiction and the list does not include appropriations. No proposal to date does anything that I am aware of to expand or in anyway enhance the ability of these 16 committees to perform their oversight function.

Biennial budgeting in my opinion actually diminishes the capacity of authorizing committees to conduct effective oversight. While the primary responsibility for conducting oversight lies with the authorizing committees, the enforcement mechanism for congressional oversight from any source lies in the annual Appropriations bills. If a program, agency or department is found to be in violation of its legislative mandate, the remedy is most often a limitation on its appropriation. This is just as true if an authorizing committee identifies the violation as it is when appropriators identify it. Biennial budgeting causes Congress to lose their enforcement mechanism after the first six months of a new Congress. For the next 18 months agencies can wait and see if the next Congress shares the same concerns. What we in essence have is a process that turns into a pumpkin—not at midnight—but at 9:00 in the morning.

There is also the question as to whether eliminating consideration of regular appropriation bills every other year will provide more or less time for the authorizers to conduct oversight. Right now, from January to May the Appropriations Committee is not on the Floor. It is in Committee doing its work. This is the time we need to have authorizations on the Floor so that we don't have to come to you as we do every year with virtually every bill asking for waivers because of lack of authorization. Committees say they can't get their committee together for quorums because there aren't enough votes. The Leadership says that aren't any votes because the committees aren't producing legislation. Right now the only time when we do have solid action on the Floor is when Appropriation committees are meeting every day. If they are meeting only every other year, it is going to be more difficult than ever to get authorizing committees together to do their work.

I must observe that the lack of oversight has been a persistent problem during the entire time I have served in this institution and I do not remember a time when there was less real oversight than there is now. But if you relieve the Congress of the burden of considering annual appropriation bills, you will also relieve the Congress of the only real opportunity that the calendar now provides to committees that sincerely wish to engage in oversight or passing authorizations for that matter.

Our problem right now is not that we have annual budgets. Our problem right now is that we are making numerous changes in the budget every few months because of changing circumstances or changing political judgements. And if you lock the Congress in a two-year budget, you will have an explosion of supplemental adjustments because our original actions will become even more out of date than they do now. Let me give you an example.

Last summer, the Speaker, some members of the Foreign Affairs Committee and others decided that we should spend far more fighting drugs and the insurgent guerrillas in Columbia during fiscal 2000 than the President's foreign assistance budget would permit. They began putting together a proposal for almost \$1 billion in additional spending. They began discussions with the General McCaffry, the Drug Czar, and others in the White House on inclusion of that proposal in the final budget deal. Reports were leaked to the press that the group would soon put forward its proposal and that it would be formally requested by the President. Then it was decided that the fiscal 2000 budget had already gotten to dicey. Rather than include the extra billion and risk breaking the

camel's back, both the Republican leadership in Congress and the White House agreed to hold off and handle the matter in a supplemental. In other words, while both side talk of going to biennial budgets neither is even committed to making annual budgets stick. The result is that we are now looking at more than \$1.5 billion in spending for Columbia—a fifty percent increase from last summer—and that is driving a total package of a least \$4 billion that will hit the House floor sometime next month. The real problem is that it is extremely likely that this package will grow well beyond \$4 billion.

I would urge you to remember one thing. Every time a supplemental moves through this place it means that someone has attached a critical priority to it. That means it becomes a must pass bill which will draw other items like flies. The problem is that the House will have very little to say about that because we have a tough germaneness rule. But because the Senate has no germaneness rule, it means that the House will have essentially given up its traditional ability to originate most appropriations items. Because the more we deal in the world of supplementals the more we will deal with Senate add ons. That will make the world of appropriations more expensive and it will also mean that in the end most new initiatives will be undertaken by the Senate, not the House. I don't see why we want to do that.

Finally, there are numerous opportunities every year to save money out of the operating accounts of various programs and agencies that will simply disappear with a biennial budget. Virtually every Appropriation Subcommittee finds in the course of its hearings that one or more agencies have failed to maintain the program level for which they were budgeted in the prior year. So you will have a situation where the agency has demonstrated that they don't need the money and aren't using the money for the purpose for which it was appropriated. And yet, they will still have that money sloshing around in their budget for another full year. Now it's possible a rescission could be passed, but I predict that we will not see the same kind of increase in rescissions that we will see in supplementals if this plan is adopted.

There is one other aspect of biennial budgeting that I find very troubling. As you all well know we have had a great deal of difficulty in putting the Appropriations process to bed for the year in recent cycles. While literally thousands of spending issues have been resolved, there are always a few which will drag on for weeks until the pressure builds for a final deal that will let us go home. Fortunately, we have usually reached compromise that did not force us to drag the whole process into the following year. One reason was that we knew we would have to begin work on the subsequent years budget as soon as we returned after the New Year. If we have biennial budgets rather than annual budgets, the stakes will be higher than they are now because the judgements that are made will supposedly last for two years. That will mean that people will be less willing, not more willing to compromise and in the end that means that the debate on the budget is likely to spill over into the second year and all we will have done is to lengthen rather than shorten our budget fights. I don't understand why we would want to do that.

I do want to say that I sympathize with the intentions of those support this proposal out of a desire to reduce the level of chaos in the current budget and appropriations process. It is a mess and those of us most directly involved in it are often made to suffer the most. There are three things that I would recommend this panel look at if it wishes to bring real order to our decision making on the budget.

First, we waste most of the time we now spend on Appropriation bills because we start out with unrealistic plans. Repeatedly in recent years we have had budget resolutions that called for unrealistic levels for discretionary spending. That meant that Congress spent most of its time developing appropriations bills that bore little resemblance to those that were finally enacted. The Appropriations process has in effect served as a show to eat up time until the end of the session when the pressure for action would be great enough for more realistic proposals to be considered. That is in large part a failure of individuals within the system rather than the system itself. But our current process lends itself to such a failure. We are among the only institutions left that have placed the responsibility for planning a process in different hands from those who are charged with executing it.

The Budget is in effect the product of the revenues raised by legislation under the jurisdiction of the Ways and Means Committee and the spending levels which are determined by not only Appropriations but Ways and Means, Transportation and the other committees with direct spending authority. If the people who craft the overall plan for the budget have no responsibility for its execution you can expect that they are quite likely to simply support a plan that they would personally like to see instead of one that might actually work. That is what has been happening on the budget committee for a quarter of a century and even if we change the players and do not address that fact, it will continue to make the process unwieldy and the debate over the budget hollow and misleading.

Secondly, we have to find a more rational way of dealing with emergencies. We cannot continue to debate whether or not we are going to rewrite the entire previous year's budget in order to offset unforeseen needs that have been created by a natural disaster. At the same time we need a better standard by which we respond to natural disasters and I believe the federal role which has been continually expanded over the decades is now too large. I would propose that we create a system by which states could insure themselves against natural disasters and that the bulk of monies need to address such problems come from that fund.

But the biggest problem with the budget and appropriations process is not actually in the House. The Senate has permitted far too much latitude to its members to inject any issue they choose into any legislative vehicle. This is much of what is wrong with the ability of Congress to enact authorizations. As a result the only process that is left to the Senate for the attachment of extraneous riders is the appropriations process and that practice is on the verge of sinking the appropriations process as well. Appropriation bills take forever to be considered. The rules are such that the Senate is not able to proceed unless every single Senator agrees. Routine decisions about proceeding with a budget that a majority of Senators support cannot be made unless 60 or more Senators concur. The way to resolve this mess is not to abandon our Constitutional responsibility for controlling the purse strings, the way to resolve this is for the Senate to adopt new rules.

Mr. Chairman, It would be a colossal mistake to make institutional changes that have far reaching consequences on our most fundamental constitutional power simply as a smokescreen to cover the real problems that plague this institution. If this committee reports this legislation I think it will be subject to precisely that charge.



The CHAIRMAN. [Presiding.] Thank you very much, Mr. Obey. As you know, back in 1993 we served together on that Joint Committee on the Organization of Congress. We went through a debate at that point on this issue, and I would like to totally agree with the argument that you provided on the issue of disasters. I think that not only should the people be looking, instead of the Federal Government, State and local governments, but we also have been working on trying to encourage private insurance as ways to deal with disasters. So I totally agree with you on that question.

On the issue of biennial budgeting itself, let me say that obviously we don't have a final plan put in place, and I very much want to take your concerns into the mix. That is one of the reasons I raised the question of supplementals with Mr. Young when he was here, because that is a question that is out there, and I think it is a very valid one because there are disparate views on that. But I would simply like to welcome your input, to say that as we do proceed with crafting something to address what you say obviously is a system that does need to be fixed, we do very much want to take your thoughts into consideration.

Mr. Hastings.

Mr. HASTINGS. David, I appreciate very much your testimony. You have a reputation of being one who wants to guard the institution, and I do respect that very much. Obviously on this we have a difference of agreement because I am in favor of biennial budgets.

One area you focused a lot of your testimony on, the supplementals, in my opening statement I suggest that supplementals are part of the process, but what has not been said, which you do not say and I haven't heard anybody else say it, regardless of their view, is that supplementals just because they are submitted don't have to pass. In other words, the hard part of the biennial process is the first year. You pointed out some problems that we are going to have to overcome because I agree that the process could be extended, no question about it. One way to resolve that is for a concurrent resolution where the House and Senate agrees at every Congress on deadlines to take these things up. It demands self-discipline on both sides.

But once you get a biennial budget in place, once you get the biennial budget in place, the supplementals become more of a political issue rather than a policy issue. Let me describe them. The second year of any Congress is probably more political than the first year. I think that is obvious. The sitting Congress in the first year will really find out what the bar is as to what you can do in the next year of the Congress. We recognize that you know where you can go.

If the theory is that we can get a biennial budget in place, then we have set the spending limits for that Congress. If there is a supplemental that is being driven mainly by politics, one of the options is not to pass that supplemental budget, and yet the Congress will continue and we won't have a government shutdown like we had in 1995. I have had two experiences with that when I was in the legislature where precisely that happened and the government ironically went on very well until the next year. So while you have

concerns about that, those are valid concerns. Just because you have a supplemental budget does not suggest you have to pass it.

So I would like your comments.

Mr. OBEY. Yeah. I would say—let me put it in crass political terms. Let me assume you maintain control of this place. Terrible assumption.

Mr. MOAKLEY. I agree with the teacher, question those assumptions.

Mr. OBEY. Don't you understand how you can be set up by a White House on this?

Mr. HASTINGS. Well, sure.

Mr. OBEY. I mean, if you guys are tired of shooting yourselves in the foot and want to shoot yourselves in the head instead, there isn't a whale of a lot I can do about that. But the fact is that if you have a 2-year budget and if I am the President, I will tell you what the devil I would do. I would do what the administration does with something like NIH, for instance. They ask for \$1 billion increase and I would let the Congress work its will on that and other items, and I would hold in reserve for an election year all kinds of stuff that I want to put you right on the spot on, and come that time I would lay out those supplementals and I would dare you not to pass them. And what you have done in that instance is you have used the regular process to get through the nuts and bolts that don't have any political—the stuff that has to run the government, and then the supplementals become a holy picture war on popular issues.

It destroys the legislative process. It makes the process even more gimmick ridden than it is now, and it puts you at one whale of a disadvantage vis-a-vis the White House. And I might like that from a partisan standpoint, but from an institutional standpoint, we need to strengthen the ability of Congress to deal with the budgets, not weaken it, and I just think when you move to a supplemental, you strengthen not just the White House's hand but you immeasurably strengthen the bureaucrat's hand.

There is no agency in government that has driven me more crazy than the FAA except maybe for the Immigration Service. How would you like to have to deal with them if they don't have to deal with you for a year and a half? I mean the problems with these agency people now, they say, "Oh, well, if the Congress doesn't like something we do and they direct us to do something, we can outlive them, we can outlast them."

You are going to make it a lot easier if they don't have to come up here on an annual basis and testify, not just on their program requests, which are largely political coming out of the policy makers in the administration, but what those guys care about is their administrative budget, they care about their operating budget. That is what they live or die on, and you have freed them from any worries about that for a year and a half, if this works the way you say it is supposed to work. And if it doesn't work the way you say it is supposed to work, then there isn't any reason to pass it.

Mr. HASTINGS. Well, I would suggest that everything you describe we live under right now in annual budgets because the supplemental budgets last year, the farm bill, and I assume we will have some supplemental budget come down, that is the nature of

the piece. I don't think that changes anyway. One way you have to guard against that and obviously the party in power whether it is you or whether it is us, I prefer the latter rather than the former, that is a political decision we are going to have to make, and that is, you don't have to pass the supplemental budgets.

As far as not having agencies for an 18-month period, part of the process has to be a time when they spend their dollars and those things have to be worked out. That has to be part of the budget process, also, but I do respect what you say. You bring up some points I think that are valid, and I am certainly not one that suggests that this is the end—all that will end all of our problems, but everything I have heard thus far exists so far under annual process.

Mr. OBEY. But there is a difference. Right now, you have to on an annual basis produce budgets which can at least pass the laugh test with the press. If you have a biennial budget, the White House will get the mundane stuff tied down the first year, and then the second year they will bring in those supplementals with the most powerful sexy political pieces they can think of, and if you don't pass them, they will be happy to talk about it.

Mr. HASTINGS. The only way I can respond to that is that is a political decision which, as I said in the first part of my question to you, is the first year you are having a policy year of Congress, second year is a political year, and I would suggest we are going through that same process this year.

Mr. OBEY. Well, except that this year in the end the administration has to get its basic stuff passed, and so in the end both sides have to come from their political positions to a more real position in the middle. I mean of course the second year is going to be more political. What I want to make sure is that the second year doesn't do immeasurable damage to the institutional requirement that we keep a tight reign on the power of the purse, and I think with this proposition you are giving it away forever, and it is like privacy, it is like liberty. We take it for granted but once you give up power, even inadvertently it is hard as hell to get it back.

Mr. HASTINGS. And I think that argument does have some weight. I would suggest that some of the executive orders probably would be a way to counteract, but that is another argument. That doesn't deal with the appropriation process.

Well, I would say, Mr. Chairman, and I would say, Dave, that this is something that there is going to be a lot of discussion on, and I think there are some real differences obviously, but at the end I think what we need to remember is that our responsibility here going through the authorization and appropriation process, especially appropriation process, is to protect the taxpayer. We shouldn't ever lose sight of the fact that taxpayer is the one who keeps us giving the means by which we spend dollars, and I think this is one protection for taxpayer.

Mr. OBEY. I look at it just the opposite, the more expensive, the less control.

The CHAIRMAN. As I prepare to call on Mr. Moakley, let me just do two things. First, we are very pleased to have the mayor of one of our Nation's great cities. The City of Pasadena is represented here. Mayor Bogaard has joined us and we are happy to have you.

And the second thing to do before I call on Mr. Moakley is simply ask you, David, what role do you see our authorizing colleagues playing in the budget process itself?

Mr. OBEY. I think the authorizing committees are jammed by two problems. First of all, because budget resolutions—and this has happened under both parties—initial budget resolutions have been unrealistic. And so the leadership has to put so much energy into getting people to vote for a budget resolution that doesn't even have the force of the law, and so you get it phoned up.

Let me give you an example, in '81, the last fight that was made in the Budget Committee to get the votes to pass a resolution, was in agriculture. They were \$400 million as I recall above where they needed to be in order to get under the ceiling. So the Budget Committee simply told the dairy guys that it was going to come out of feed grains. They told the feed guys it was going to come out of dairy. They used the money twice. They had an unrealistic assumption, and it tied up the appropriation process forever afterward. I think you simply have to have a more realistic budget resolution to begin with.

Second thing is I think we really need to ask authorizing committees to do multiyear authorizations. I think that what an authorizing committee ought to do is spend the first year getting their authorizations tied down, and then after they have got their authorization shaped, then they can do more effective oversight to make certain that the laws are being handled the way they were intended to be handled and interpreted the way they were intended to be interpreted.

I don't think the appropriations process has much to do with whether the authorizing committees move or not. I think the Budget Committee with its unrealistic assumptions force the Appropriations Committee, the Ways and Means Committee and a lot of the authorizing committees who also have access to direct spending responsibilities under the Budget Act, they have to react to an unreal budget and they have to spend a lot of time on that. I think that gets into their ability to do it.

To me, and this is a different subject, and I probably will cause myself trouble doing this, but I believe that there was a choice to be made when the Budget Committee was established, and the question was: "What should the composition of that committee be?" And they decided there were two choices, either you could take the chairs and the ranking members of the committees with direct spending responsibility and put them on that committee, so you have got the committee leaders who handles food stamps, Ag, I guess, Ways and Means that handled some of them, Commerce, that handle some of them. You could put them on the committee or you could put members appointed by the leadership on the committee, and they decided to do the latter.

I think the system would be more realistic if they would have done the former. If the same people who put together the budget resolution then had to put together the actual legislation to implement it, you would end the baloney assumptions that go into building any budget resolution. The majority party, the minority party, all people would be much more likely to put together an initial resolution which reflected a real center of gravity in this place rather

than just somebody's idea of what might be nice if they didn't have to deal with reality.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. David, I agree with all of what you said except when you talk about the authorizations becoming multiyear. Doesn't that automatically stir up a lot of supplemental budget requests because the authorizations are operating in a multiyear and the appropriation is in a single year?

Mr. OBEY. I don't think so. I think most of what the authorizing committees do is to draft long term legislation. I mean, the problem we have now is that we wind up having to carry so much authorization legislation because authorizing committees want to authorize every year, and so they can't get it done in time. And to me, if you had say 3 or 4-year authorizations as the rule, then the authorizing committees would have the time to do the digging on oversight to make certain that the authorization is being followed by the bureaucracy, and they would also have time to then deal with new supplemental requests they had to authorize before we could move on it, but they ought to be designing things for the long haul. When they don't, then we get people whispering behind their hands on the authorizing committees that we aren't including--.

Mr. MOAKLEY. Well, you get all those amendments, those legislative amendments to the appropriation bills.

Mr. OBEY. Let me give you one example. When I chaired the Foreign Operations Subcommittee, the authorizing committee had not passed their authorizing bill in 10 years, and so one of the subcommittee chairmen, Steve Solarz, came to me and said, "Dave, we can't get our bill moving, would you put our section on Latin America in your bill, would you carry our authorization in the bill?" I made the dumb assumption that he was speaking for the committee, not just the subcommittee, and I said, "If that is what you want, let me check it out." It seemed reasonable. So we did. Three weeks later I walked into this room and here's Dante Fascell testifying against what I did. And who is at the table with him? Steve Solarz! There were three subcommittee chairmen who had asked me to do the same thing, and all three of those subcommittee chairmen who had asked me to do it then came to the table with their chairmen and raised hell with me for doing what they had asked me to do.

Now, I mean when you have got a committee that can't produce a piece of legislation in 10 years, does it make sense to blame the Appropriations Committee for that? What happened was very simple. You had an ideological fight between the liberal Democrats in the House and the conservative Republicans in the Senate, like Jessie Helms, when the Republicans were then running the Senate, and so rather than compromising, the administration said, "Ha, let them stew in their own incompetence and then we will get a better deal out of the Appropriations Committee." So that is what the Reagan administration did, that is what the Bush administration did, and they were smart to do that. But that didn't help the Congress meet its responsibilities. So that is why I favor longer authorization.

Mr. MOAKLEY. Do you know of any democratic country that has a biennial budget?

Mr. OBEY. Do I know of what?

Mr. MOAKLEY. I said are there any Nations that you know of that have a biennial budget, a democratic type nation?

Mr. OBEY. I don't really know. All I know is that if you are the governor of Florida, if you are the governor of Wisconsin, I mean do we really want to imitate States? In my State my governor has had a veto so strong he could eliminate digits in numbers to create different levels of appropriation than the legislature required. He could until the legislature changed it a couple of years ago. He could eliminate words to form entirely new sentences to create law that the legislature had never passed. Now, I mean in most States governors like 2-year budgets because they deal with a weak legislature, they get them out of town in a few months, and then they run their States like kings. We don't want that out here.

Mr. MOAKLEY. But they are usually small States.

Mr. OBEY. Yeah, usually.

Mr. MOAKLEY. The major States, with the exception of Ohio, have annual budgets.

Mr. OBEY. The States don't deal with the economy, they don't deal with foreign policy, but my God, things change more dramatically at the national level. You could have a Kosovo intervene. You could have a Middle East war intervene. You could have the economy go to hell in a hand basket, require a totally different—I mean, go back and look at Gerald Ford. Gerald Ford came out here pushing "Whip Inflation Now," and three months later the economy changed and he is fighting against unemployment. Jimmy Carter, the same thing. So I mean, with all due respect to our people who draw State parallels, they don't have nearly the complicated set of realities to deal with that we do.

Mr. MOAKLEY. Do you know why, if you know, why States changed from biennial to annual budgets?

Mr. OBEY. I don't really know.

Mr. MOAKLEY. I thought it might have been the overload of supplemental appropriation bills.

Mr. OBEY. I would assume that it was in part because of supplementals. I mean, Wisconsin has a biennial budget, and I can tell you we have a Board on Government Operations, at least we did when I was there. And we were meeting every doggone week adjusting the budget and much less systematic oversight. We passed legislation creating a whole new system of technical schools. The administration had put in their language for the bill. We had totally rewritten it. We wanted a different kind of governing board. After we passed that bill, the governor on his own just administered the bill as though it was the originally submitted bill.

Now, the only leverage we had on them for the remainder of the biennium was leverage on additional money they had asked for a few programs, but we didn't have a chance to get at their personnel levels in the agency, we didn't have a chance to get at their salaries, we didn't have a chance to get at their operating budgets. So we had no real leverage to make them follow the intent of the legislature, and I don't want to see Congress become a State legislature. I mean, we are the premier legislative body in the world with all of our warts, and I would like us to stay that way.

Mr. MOAKLEY. Thank you very much.

The CHAIRMAN. Mr. Goss.

Mr. GOSS. No, thank you.

The CHAIRMAN. Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman. As Dave knows, I figure we have worked together on a lot of issues. There is nobody who knows more about process and who loves this House of Representatives more than him. I disagree with him on this. I am from a big State that has biennial budgets. Almost everybody I know from Ohio who has served in the State legislature likes biennial budgets. The reason why I like it so much is that I think that the second year is such an important year for doing oversight. I know that this sounds redundant and trite, but the fact is everybody keeps talking about oversight, but we always did a lot of oversight our second year. There are so many things that we ought to be investigating, ought to be targeting, ought to be having hearings about. I myself have asked for hearings, and the answer I always get is we are too busy, we are trying to get our budget out.

And we spend all year trying to get our 13 appropriation bills out, and then after we get them out we adjourn. That is normally October, November, and we don't do oversight on many of these programs. Only on the glaring issues do we have oversight. We don't have the slightest idea what some of these agencies are doing, whether they are good, bad or mediocre. I think Congress ought to have a lot more control of these programs. The only way we are going to get more control is to know about them. But the push is all year. It is all year, get our 13 bills out. When we get them out, it is over, we go home. What are we doing?

Mr. OBEY. But there is nothing whatsoever in this proposal that increases oversight in any way, absolutely nothing. As I said earlier, there are two kinds of oversight. One is to make certain that agencies are administering the laws in the way they were created by the authorizing committee. And the authorizing committees have a right to expect that the laws are going to be followed the way they want, not the way the Appropriations Committee wants. As appropriators, we may finance them but we don't design them and we shouldn't because we don't know as much about them as the authorizing committee.

This doesn't give authorizing committees any additional time to do oversight. All this does is change the process of the Appropriations Committee. Show me one thing in any of these bills that gives any authorizing committee one second more oversight.

Mr. HALL. Sure, it does. It does it in the same way as the biennial budget in Ohio. It doesn't give any more time or spell out the time that we are going to have oversight, but that is what they do the second year.

Mr. OBEY. How? Authorization committees don't bring appropriation bills to the floor.

Mr. HALL. Dave, if we pass a budget every 2 years we will have a lot of time here now to look at some of the things we did. It makes sense that we are going to have oversight.

Mr. OBEY. If you don't have appropriation bills on the floor on a regular basis, you aren't going to have quorums in authorizing committees. You aren't going to get those committees to move be-

cause if you don't have business on the floor, this place isn't in session. You know that as well as I do.

Mr. HALL. Well, then maybe we shouldn't be in session. Maybe the committees that have jurisdiction ought to be back and meeting.

Mr. OBEY. The committee chairman will tell the leadership time after time under Republicans and Democrats. "If you don't have votes on the floor, we can't get quorums." You talk to anybody in the leadership they get that complaint every day in this week, and this will make that worse, not better.

Mr. HALL. I think if a congressman is going to stay home, meeting constituents, he is going to have to say, well, I was back home taking care of the bridge when I know I should have been in Congress because that is where I belong. No way.

Mr. OBEY. All I am telling you is committees won't get quorums if you are not in session. Ask your committee chairman.

Mr. HALL. Then that responsibility not only belongs to the chairman, but it belongs to the individual, and each person has to stand for himself.

Mr. OBEY. That is correct.

Mr. HALL. They have to stand up and say I have to be accountable.

Mr. OBEY. All I am saying is that to say that this creates more opportunity for oversight is I think a phenomenal misjudgment in terms of what will happen.

Mr. HALL. It happens in every State that has biennial budgets.

Mr. OBEY. If we are in session, the more we are in session, the more time authorization committees will have an opportunity to do their work, but this has become a Tuesday through Thursday club, and right now it has become a Tuesday usually at 6:00PM until Thursday at 2:00 club. That is the problem. If legislators wanted to spend more time at home than they do here and then blame the appropriations process for that, frankly I think that misses the mark.

Mr. HALL. Nobody is blaming the appropriation process. What they are saying is that we can have a better government, I think we can have a more efficient government. I would like to know what some of these agencies are doing, and if they are mediocre, we ought to get rid of them.

Mr. OBEY. So would I, but that is an ad hominem argument. You are defining a good goal and then saying this will accomplish it. I just don't believe that that will do.

Mr. HALL. Good goals have to be done by good people, and you can have the greatest law in the world. If you don't have good people, nothing is going to happen.

Mr. OBEY. But good or bad people doesn't have anything to do with one or 2-year budgets.

Mr. HALL. What are you talking about then? You can't make an argument with you, you are going to say this is not going to provide more time for oversight. In fact it will. You are saying it doesn't work. In fact it does work in big States. You are going to say we are not going to have more oversight because it doesn't say it. Now, it doesn't say it in the Ohio budget either. We do oversight the second year.



Mr. OBEY. I don't know what the separation of power is between your budget committee and your authorizing committees. All I know is that in here the oversight is done by your authorizing committees. Your authorizing committees don't put together the appropriation bills. There is nothing that prevents authorizing committees from meeting every day on oversight while the Appropriations Committee is considering appropriation bills, nothing.

In reality, the complaint that comes from committee chairmen is they can never get a quorum when this place is not in session, and if you have the appropriations right now, at least until May when the committee—we are hung up until the Budget Committee produces a budget resolution. We are not supposed to bring bills to the floor until they do. That is our major problem because so long as the Budget Committee isn't producing something on the floor, you don't have much going on. Look at the schedules that have been cancelled this week. Look how light the schedule is. You have to invent things to do to keep people here. If I were the leadership I would go nuts trying to do this, and if you are saying that the most intense legislative period when appropriations is on the floor is only going to occur every other year, then that is going to reduce the number of days when you must have legislation on the floor, and members are going to say to their chairmen, "Sorry, you can schedule that hearing, but I 'ain't' going to be here", and you are going to have less time for oversight rather than more. I want more oversight, but this is not the way to get it.

Mr. HALL. If I were chairman that would not be a problem because I am going to be there. I am going to be there. Members don't want to show up, I am going to investigate. I am going to have oversight.

Mr. OBEY. You are going to have a quorum to hold a hearing but not to move any legislation.

Mr. HALL. Would you agree that we disagree on this? We disagree vehemently and I have great respect for you, and we work together on a lot of issues, but I think you are very wrong about this. You talk about losing control. I say we do not have very good control now.

Mr. OBEY. All I can tell you is if you move to biennial budgets, we will have supplementals running through here every day. Because we have a tight germaneness rule, if we have got an Interior appropriation bill up and you want something that is done in HUD, you won't be able to offer that amendment because it "ain't" going to be germane, but when it gets to our dear friends in the Senate, they have no germaneness rules. They will be able to add everything but the kitchen sink. If you think you are ever going to get credit at home for a single project, kiss it good-bye, baby, because your Senators are going to get credit for all of that stuff. If you think you are ever going to be able to create an initiative outside of the jurisdiction of a supplemental in the House you are not because the rules won't let you. But the Senate will add Christmas tree after Christmas tree to the supplementals.

Mr. HALL. That doesn't mean you can't put your own amendment in there. You don't have to have a supplemental. We don't have to have supplementals that go beyond a year, period.

Mr. OBEY. If you want to be out of business for 18 months while your Senators are in business 365 days a year for 2 years be my guest. If I were a Member of the House I wouldn't want to do that.

Mr. HALL. They can't do anything without us. They can't do anything without us.

Mr. OBEY. Well, with all due respect, the House, if it loses the ability to deal on the same terms with issues that the Senate deals with, we will lose not only our power relative to the executive branch, we will lose our power relative to the Senate, and I don't think that is what we ought to be doing.

Mr. HALL. I don't believe that for a minute.

Mr. OBEY. Attend a couple of appropriation conferences and you will change your mind in a nanosecond. Every Senate authorizing chairman bypasses House authorizing chairmen right now, and they try to add their authorizations to regular appropriation bills. We can usually knock that off because you can say, look, if I do this for you, then you are going to have to do it for other committee chairmen, and you can back them off, but if you have got only selected agencies for which you have supplemental requests going through, the authorizing chairmen for those committees, the Interior Committee for instance, if you have got an Interior supp going, they will be able to add whole authorizations without impunity, and they will get away with it far more than they do now because those will be must pass items, and they will be much more visible than general appropriations are.

And so there is going to be much more pressure from the administration to swallow that stuff and for the House to buy into it, and I think that makes us spend more money and makes us be less disciplined and certainly doesn't give the House an equal shot at deciding whether it ought to be in their final product.

Mr. HALL. Dave, you are so busy now and so are all Members of Congress, whatever committees they serve on. It is almost the tyranny of the urgent that creates many of their own problems, and one of the problems I see is because you are so busy you don't have time, because I request hearings, you can't do them. I am not talking about you. You can't do them because you don't have time, you can't do hearings.

Mr. OBEY. Can't do hearings? Look at our schedule.

Mr. HALL. I have requested hearings on things relative to the Pentagon, on foreign affairs, et cetera, and you don't have time to do them.

Mr. OBEY. Do you think we are really going to have time to do them if we are spending a year and a half to pass the regular appropriation bill rather than 9 months? If you have 2-year budgets, do you really believe we are going to settle all these issues by October or November of the first year? Not on your life. They will drift over into the second year. We won't have any time to do anything except negotiate.

Mr. HALL. There is a funny thing, it works in other States. Why wouldn't it work here?

Mr. OBEY. I don't think there is any point in my chewing the cud again and again. I just think there are different—I see different institutional dynamics than you do, and I see them from the perspective of having been on this committee for 30 years. I recall when

authorizing committees like George Miller and George Brown and John Dingell came in raising hell about the fact that Senate chairmen were adding whole authorizations to their bills, and I guarantee you if we move to a supplemental world we will be much more vulnerable to that than we are now, and the Senate will reign supreme on that because of the difference in germaneness rule.

You want to give us more time, get the Senate off our backs with all of these blasted nongermane riders, get the Senate to change their rules, so that they don't have to beg on bended knee to get all hundred senators to agree on how to proceed every day. I mean that is the problem. The Rules Committee is the salvation of our House because it creates order. The disorder you have in the Senate is I think the fundamental problem we have in getting budgets, along with the fact that budget resolutions are essentially press releases from each political party, and they are unattached to reality in most cases.

Mr. GOSS. Thank you. Mr. Sessions of Texas.

Mr. SESSIONS. Chairman, thank you. I really should rest our case after Mr. Hall's comments. However, I would like to take just a second and talk about your testimony on page two, quote, the one argument that we hear repeatedly in favor of biennial budgeting is that the States do it so we should, too. I would observe that this is not a State government and any argument to that effect is deeply flawed.

Mr. OBEY. I agree with that.

Mr. SESSIONS. Well, you wrote it.

Mr. OBEY. No, no. I am talking about the arguments made by the proponents of it.

Mr. SESSIONS. All I am suggesting, sir, is that these are your words so I would expect you to agree with it. I was reading from your testimony. I don't expect to be any more successful than Mr. Hall in changing your mind, so this is just for the sake of going through this, to present one argument, that the move to annual budgeting from biennial budgeting stopped in 1987 when all but 19 States practiced annual budgets, and that since that time they have begun to shift back to biennial budgeting, and now there are 23. I know I think you said 20, but 23 States to my information operate under the same type and three more States as of now, California, Michigan and New Jersey, are currently considering moving to biennial budgeting.

States largely shifted from biennial budgeting after World War II as Federal and State programs became more complicated. Biennial budgeting at the Federal level would increase efficiency. The arguments that you employed in your comments I believe are similar to arguments about why we should do or not do away with proxy voting.

The power of the institution, the power of those insiders, those committee chairmen, those people, and I believe it is a matter of efficiency, not power, and that this institution should continue to evolve and recognize as we look in the mirror and see ourselves, not only that we straighten our collar and do those things that look good, but we have a tremendous responsibility to government and State governments for an efficiency ratio and efficiency model, and that if we are able to do the things since I was in college 20 years

ago and gave a speech for a rotary club on—a speech contest about the efficiency of government and way back then the Pentagon and the Labor Department argued about their ability to handle multiyear projects and to sign contracts that would more carefully resemble efficiency, not power, not arrogance, not their institution, but rather the efficiency for the taxpayers that they felt like that the savings, the cost savings from that money that had been appropriated would in fact increase. It would do those things in efficiency of the government.

I am just going to give one example. I am sure there are lots of holes that anybody, including you, could inflict upon this example, but I know as a Member of Congress I am not allowed to sign any contract or do anything that would be outside the extension of a section which I was elected for, and I agreed with that. I am not arguing against it. But I also know that in instances of signing contracts, and I will just give probably the most egregious, that you may have a Member who wins election year after year after year, but they rent a vehicle for the official use in their district, they sign a 2-year lease and the 2-year lease costs in some instances three and four times the amount of money that it would if you signed just a 3 or 4-year lease.

I am not arguing that we should extend what we have today. What I am arguing is that the marketplace and an efficiency model and ratio for the States for their ability to be in tune with what we have done, for them to know that when we have put our model in place they can then do the same, it would be more efficient and I think better for the taxpayer. That would be my sole argument to you today. I did not ask that you have to agree with that. I do ask for simply that you understand that I believe Mr. Hall and I do believe this.

Mr. OBEY. But in fairness, you shouldn't be voting for this proposition. First of all, with respect to proxy voting, I have never favored proxy voting. We have never used it in the Appropriations Committee. I think if members want to vote there, they ought to get off their duffs and be there. I have always felt that way. I have heard a number of authorizing committee chairmen since the proxy voting has been abandoned who have said, "Boy, my job in getting a quorum is almost impossible these days," and so I would suggest I am not qualified to discuss the proxy voting.

Mr. SESSIONS. I am just saying, sir, those same arguments were utilized in the same way for a different institution.

Mr. OBEY. I have been a raging reformer ever since the day I arrived here. I almost got thrown out of my own committee caucus for that reason. And we have had books written about people who had minimum high regard for reform. So I pushed this place on financial disclosure and all the rest.

All I would say is your argument about multiple year procurement has nothing to do with this. We already provide multiyear procurement. The Appropriations Committee right now provides multiyear procurement. I am not against a multiyear procurement.

Mr. SESSIONS. I completely disagree, as Mr. Hall did, with that argument because things happen all the time where a plug is pulled the next year.

Mr. OBEY. Well, all I can tell you, you said the government agencies ought to be able to sign multiyear contracts.

Mr. SESSIONS. What I am suggesting is that the appropriations process, not the contracts, will drive those things, and I believe that they will be more efficient.

Mr. OBEY. With all due respect, that is a very different issue. It is a very different question whether—you said that agencies like the Pentagon would be able to save taxpayers money if they engaged in more multiyear contracts.

Mr. SESSIONS. Sir, you know what I'm suggesting, and I think this is not fair for you to try and twist that. What I said is that the appropriations of that money on a 2-year basis would allow them to more carefully run through those contracts.

Mr. OBEY. We don't just appropriate for a 2-year basis. We allow them to proceed with multiyear contracts.

Mr. SESSIONS. Yes, we do that, but what I am suggesting to you, and you know people change their mind next year and wipe out a program.

Mr. OBEY. Well, Congress can always change its mind.

Mr. SESSIONS. I agree.

Mr. OBEY. I don't think you want to say that if we appropriate money to an agency and we find out that there has been the egregious management or faulty development of the program—

Mr. SESSIONS. Then what I will say is I believe we will become more efficient.

Mr. OBEY. Well, again, all I will simply say is that you don't need 2-year appropriation budgets to promote what you are talking about. You obviously think we do, so we have a difference of opinion on that, but that is a very different situation. I would simply point out if you think it is more efficient to have a 2-year budget rather than a 1-year budget, I would simply point out that the estimates 2 years ago for this fiscal year were that we would have a \$70 billion deficit. We have now got \$170 billion surplus instead. I would say the world has changed a little bit—

Mr. SESSIONS. Thank goodness.

Mr. OBEY. —in 2 years and I don't think that having to make our budget estimates and our revenue estimates 2 years out makes any sense, given how fluid the nature of the economy is and how fluid the nature of the income and outflow is of the government. I don't call that efficiency.

Mr. SESSIONS. I thank the gentleman for his indulgence. Thank you, Mr. Chairman.

Mr. HASTINGS. [Presiding.] Mr. Reynolds.

Mr. REYNOLDS. No questions.

Mr. HASTINGS. We will now start the second round of questioning for Mr. Obey. Just kidding.

Mr. OBEY. Give me a martini.

Mr. HASTINGS. Mr. Obey, thank you very much for your testimony, and obviously the give and take was spirited in some cases, and there are some differences of opinion, but I appreciate very much your taking the time to come before the committee, and you can be excused.

Mr. OBEY. Thank you.

Mr. HASTINGS. Next we will however call up a panel of the Committee on Appropriations, Mr. Regula from Ohio; Mr. Knollenberg from Michigan and Mr. Price from North Carolina. If you would come forward, we will be pleased to take your testimony. Your full statements will appear in the record, and if you choose to summarize, that would be appreciated.

Mr. Regula, we will start with you since you are a subcommittee chairman, and Mr. Price will go after that and then Mr. Knollenberg.

**STATEMENT OF THE HON. RALPH REGULA, A  
REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. REGULA. Thank you, Mr. Chairman. I ask unanimous consent that my full statement be made a part of the record.

Mr. HASTINGS. It will and all of your statements will be part of the record.

Mr. REGULA. In the interest of time, I simply want to say that 2-year budgeting is a management tool. I had an oversight hearing yesterday in my subcommittee and another one today.

It is clear that one of the challenges that confronts the appropriators and in fact confronts the Congress is how can we manage the resources more efficiently. The 2-year budget in my judgment would allow us to do that. The first year we would appropriate funds. The second year we would do oversight and plan for the next budget cycle.

So from the standpoint of management on the part of the Congress, I believe that the 2-year cycle would be much more efficient. As we are confronted with growing needs and less resources in the absence of tax increases, which we want to avoid, the challenges are to manage our existing resources most efficiently. It is clear in the oversight hearings yesterday and today held by the Interior Subcommittee that there is an opportunity to explore management reforms. Along with that, I believe that the agencies could be more effective because it would allow program managers and agency heads to do their planning on a 2-year cycle.

They could just, as a practical matter, contract for supplies for a 2-year period instead of one. They wouldn't have to spend as much time in developing annual budgets, and they could, therefore, focus on their responsibilities as managers, whether it be a national park or a national forest or a defense system.

Certainly in the private sector I don't believe program managers would be told you have 1 year to budget on a program that has a long term impact. And so it seems to me that the 2-year budget cycle would make a lot of sense in terms of our responsibility as managers, directors, if you will, of the largest enterprise in the United States; namely, the U.S. Government.

I think historically we have not looked on government as a management challenge. We have looked on it as a provider of services, but with today's world, with increasing populations and increasing needs, it seems to me that approaching this in a businesslike way to say how can we deliver the services to the people in the most efficient way, a 2-year budget offers that opportunity. My statement enlarges on this, but in the interest of time I will hold it to that.

[The prepared statement of Mr. Regula follows:]

**Statement of Congressman Ralph Regula (R-OH)**

Chairman Dreier and Members of the Rules Committee, I would like to commend you for scheduling hearings on whether the Administration and the Congress should move to a two-year budget process. I am a long-time supporter of a two-year budget process, believing that it will reduce the repetitive annual budget votes and allow more time for long-term planning and for careful oversight of government spending.

I would like to spend few minutes today reviewing some of the reforms that have been implemented in the programs that I oversee as Chairman of the Interior Appropriations Subcommittee. These reforms have been the result of oversight hearings held by the Subcommittee. I hope that these examples will provide a glimpse of the types of reforms that can be made government-wide if there is more time for in-depth oversight by both authorizing committees and the appropriations subcommittees. We need to ensure that American tax dollars are spent wisely and in the manner in which they are intended to be spent.

Since becoming Chairman of the House Interior Appropriations Subcommittee in 1995, I have held nearly 20 oversight hearings, and I have scheduled an additional six hearings for this year. Working with the General Accounting Office and the National Academy of Public Administration (NAPA), I have examined a variety of agencies and issues within our jurisdiction. And I firmly believe that through this process we are making a difference on behalf of the American people. As a result of the hearings and the actions we have taken in the Interior Appropriations bills, we are improving management, reorganizing dysfunctional structures and streamlining processes.

During my first year as Chairman, we examined each of the more than 30 agencies funded in the bill and asked the question about their relevance to the American people. We asked whether we could eliminate programs or even entire agencies. As a result, we eliminated the Bureau of Mines at the Department of the Interior and rescinded nearly \$200 million in funding we considered unnecessary and even wasteful.

During an oversight hearing in late 1997, we heard from the Department of the Interior's Inspector General and NAPA about the National Park Service's construction program. We learned that the 500 employees in its construction program were completely off-budget and that their office was funded by a fee they placed on line-item construction projects in our bill. The more a project cost, the more money the program received for its Denver Service Center operations. It was under this scenario that the American taxpayer funded a \$387,000 outhouse in the Delaware Water Gap.

We have changed this situation: In the fiscal year 1999 Appropriations bill we brought the Denver Service Center on budget, we downsized it by half - to 250 employees and we have completely revamped the Park Service's construction process. Now, 90 percent of the design work is being contracted out to local architect and engineering firms. Park superintendents and regional directors are being held accountable for the sound management of construction projects within their parks.

Further, since 1993 taxpayers have provided a billion dollars to restore the Everglades. Last spring I held an oversight hearing on this subject and questioned the GAO on how we are doing with this significant investment. We know that the taxpayers are on the hook for multi-billions of dollars before this massive effort is complete, so we asked important questions such as, "Are we on the right track?" "After we have spent all this money, will the Everglades truly be restored?" "Does the science show us everything we need to know, or do we need additional research and data to proceed?"

As a result of this hearing, it became clear to me that I can't assure the people in my district that we are wisely using their tax dollars to protect this precious resource. In the fiscal year 2000



appropriations bill, however, I included strong language requiring a strategic plan for this project and improved cost estimates. I will also hold a follow up oversight hearing on this issue later this spring.

Numerous committees in the Congress have focused on financial management shortfalls in the U.S. Forest Service. We held a hearing on this problem in the spring of 1998 and held a second hearing just this morning to follow up on the recommendations necessary to ensure the agency receives a clean audit and equally important, to ensure that the agency can report to Congress and the American people on how its funds are spent.

I have a listing of all of the Interior Subcommittee oversight hearings that have been held and that are planned for this year, with notations on the reforms that have been implemented. I ask that this document be made part of the official record.

I look forward to working with you to enact a two-year budget process. Such a process will allow sufficient time to conduct oversight hearings. These hearings will provide the Congress with necessary information to ensure a more efficient and effective federal government for the American people.

Mr. HASTINGS. Thank you, Mr. Regula. Mr. Price.

**STATEMENT OF THE HON. DAVID E. PRICE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. PRICE. Thank you, Mr. Chairman. I appreciate the chance to testify here today on this question of biennial budgeting and appropriating, and to urge this committee to resist the siren call of this so-called reform. I believe it does have some very real dangers.

Many goals and values have been discussed here today: consistency, continuity in policy, efficiency, both to guard our current surplus and evaluate future claims on resources very carefully, budget with some flexibility responsive to changing needs and conditions, and to preserve Congress' power of the purse and to enhance our oversight. These are goals in some tension with one another. They call for a mix of both long term and short term strategy. My main argument here today is that annual appropriations are an important part of that mix.

We have made a good deal of progress in increasing our time horizons and adding some predictability, a multiyear time frame to the process. We work with multiyear authorizations in most areas, and I fully agree with those here today who have said we need to have multiyear authorizations in all of our areas. We have adopted multiyear budget plans in 1990, 1993, and 1997. Those were important instruments for long term planning and fiscal discipline, but as useful as these long term plans are, they shouldn't be confused with multiyear budget and appropriations cycle.

I believe that to argue that we should go down that path is to draw the wrong conclusions from our recent experience. Instead, I propose to you that annual budget resolutions on appropriations are a needed complement to multiyear budget plans. They provide flexibility. They help us achieve savings and fine-tune our investment strategy, and they enable Congress to be a full partner with the executive in setting national priorities.

We have heard today, and ironically I think, advocates of biennial appropriating who claim that it would actually give Congress more time and strengthen our incentives to oversee the executive. I say ironically, because surely the most careful oversight Congress gives the executive branch is through the annual appropriations process, the kind of work that Mr. Regula's subcommittee and others do every year. Agency budgets and performance and needs are gone over line by line, program by program. Without the need to produce an annual appropriations bill, this extensive oversight, far from being enhanced, would likely be lessened.

At the very least the political potency of oversight would be less, for oversight without the power to increase or reduce appropriations is toothless oversight. Oversight will be less engaging for Members and certainly less compelling for the executive branch.

We know congressional decisions aren't written in stone. Appropriations decisions are no exception. As many people have said here today, we already enact supplemental appropriations bills, but do we really want to increase the number of those bills? Former CBO Director Robert Reischauer once noted that even in the current annual process, forecasters are required to project changes in

the economy and the budget 21 months before the end of the fiscal year; a biennial resolution would increase this period to 33 months for the second fiscal year of the biennium.

Pressures on Congress would increase to respond to changing economic or social circumstances, agency failures or deficiencies in the law. The only available vehicles would often be omnibus or multiple supplemental appropriations bills in the off years, and we would have replaced the deliberative, well-ordered process of annual appropriations with sporadic, ill-considered supplementals. Biennial budgeting, while promising increased predictability and increased efficiency, might well produce the opposites.

I understand the frustration that has led many Members to turn to biennial budget as an antidote to our problems with the budget process in the last 2-years and the partisan and ideological conflict that, uncharacteristically I might say, has come to infect the appropriations process.

Chairman Dreier has suggested that biennial budgeting would reduce the number of "train wrecks" at the end of the year and the level of gamesmanship. Surely these fights would occur only half as often, we can't argue with that, if we were budgeting biennially. But would the abuses of the process be fixed? Not likely. Would the same problems crop out if supplemental appropriations were proposed and emergencies declared? Yes, in all likelihood, but in the meantime, we would have greatly weakened Congress' hand in shaping national policy and holding the executive accountable.

I am well aware that President Clinton has expressed his support for biennial budgeting, as did Presidents Reagan and Bush before him. If this suggests that biennial budgeting is not a partisan issue, it ought also to warn us it is indeed an institutional issue. We are dealing here with the executive-legislative balance of power, and we obviously need to consider this kind of institutional change totally apart from which party currently holds the White House.

It is sometimes said that opponents of biennial budgeting are merely defending Appropriations or Budget Committee turf. We have heard that. I have heard it. As a member of both committees I am sensitive to that charge, but the fact is, we want to protect the legislative powers of the entire Congress. That is what this is about. The issue is not devolution of power from the Appropriations Committee to the rest of the Congress. It is a devolution of power from Congress to the executive branch.

So, Mr. Chairman and other members of the committee, I urge you not to allow recent budget disagreements and frustrations to lure us toward a supposed remedy that would make the appropriations process less systematic, less flexible, less potent. We must increase and enhance Congress' power and performance in both budgeting and oversight, but for the reasons that I have given and that are developed more fully in my statement, I believe that moving to a biennial budget or appropriations cycle would take us in precisely the opposite direction.

I thank you for your attention.

[The prepared statement of Mr. Price follows:]

**Statement of Congressman David E. Price (D-NC)**

Chairman Dreier, Ranking Member Moakley, and other members of the committee, I appreciate the opportunity to be here today to testify on the question of biennial budgeting and appropriations and to urge you to resist its siren call.

In evaluating any budget reform proposal, it is important to be clear about the goals we are pursuing. First, we are striving for consistency and continuity in policy, so that citizens and communities can know what to count on and so that programs can be planned and executed efficiently. At the same time, we are attempting to cautiously guard our current surplus and to evaluate future claims upon government resources. We also wish to budget with full knowledge of current economic trends and with maximum responsiveness to changing needs and conditions. And we seek to preserve Congress's power of the purse and enhance our oversight of the executive, while making our operations less duplicative and more efficient. Obviously, these goals exist in some tension with one another and call for a mix of both long- and short-term strategies and mechanisms. The main point I wish to make today is that annual appropriations are a crucial part of that mix.

Biennial budgeting proposals date back to the Reagan era. Despite the progress Congress has made in reducing the deficit spending that catalyzed many of these proposals, the substance of the proposals themselves has remained remarkably unchanged. This is perplexing, because we have in fact moved further towards a multi-year framework in budgeting than critics seem to realize, and congressional policy making has improved as a result. We work with multi-year authorizations in most areas, although in too many we still operate without authorizing legislation. We adopted multi-year budget plans in 1990, 1993, and 1997 -- important instruments for long-term planning and fiscal discipline.

But multi-year budget plans, as useful as they are, should not be confused with a multi-year budget and appropriations cycle. To argue that we would benefit further by moving to a two-year cycle in appropriations is, I believe, to draw the wrong conclusion from our recent experience. Instead, I would propose to you that annual budget resolutions and appropriations are a needed complement to multi-year budget plans, providing flexibility, helping us to achieve savings and fine-tune our investment strategy, and enabling Congress to be a full partner with the executive in setting national priorities.

Ironically, some advocates of biennial appropriating claim that it would actually give Congress more time and strengthen our incentives to oversee the executive. I say "ironically," for surely the most careful oversight Congress gives the executive branch is through the annual appropriations process, when agency budgets and performance and needs are gone over line by line, program by program. Without the need to produce an annual appropriations bill this extensive oversight, far from being enhanced, would likely be lessened. At the very least, the political potency of oversight would be reduced, for oversight without the power to increase or reduce appropriations is toothless oversight. This oversight would be less engaging for members and certainly less compelling for the executive branch agencies we oversee.

Few Congressional decisions are written in stone, and appropriations decisions are no exception. We already find it necessary to enact numerous supplemental appropriations bills, and the number of these bills would markedly increase if we were to lengthen the budget cycle. As former CBO Director Robert Reischauer once noted,

Even in the current annual process, forecasters are required to project changes in the economy and the budget 21 months before the end of the fiscal year; a biennial resolution would increase this period to 33 months for the second fiscal year of the biennium.

Pressures on Congress would increase to respond to changing economic or social circumstances, agency failures, or deficiencies in the law. The only available vehicles would be multiple or

omnibus supplemental appropriations in the off-year, and we would have replaced the deliberative, well-ordered process represented by annual appropriations bills with sporadic, possibly ill-considered supplementals. Biennial budgeting, while promising increased predictability and efficiency, might well produce their opposites.

I understand that many members have turned to biennial budgeting as a possible antidote for the problems we have had with the budget process in the last two years and the partisan and ideological conflict that has uncharacteristically infected the appropriations process. You have suggested, Mr. Chairman, that biennial budgeting would reduce the number of year end "train wrecks" and the level of gamesmanship. Certainly I would have to concede that in a biennial process, year-end appropriations battles would occur only half as often as before! But would the abuses be fixed? Not likely. Would the same problems crop out as supplemental appropriations were proposed and "emergencies" declared? In all likelihood. And in the meantime we would have greatly weakened Congress's hand in shaping national policy and holding the executive accountable.

I am well aware that President Clinton has indicated his support for biennial budgeting, as did Presidents Bush and Reagan before him. But if this suggests that biennial budgeting is not a partisan issue, it should also warn us that it most certainly is an institutional issue. We are dealing here with the executive-legislative balance of powers, and we obviously must consider this kind of institutional change apart from the question of which party currently holds the White House.

It is sometimes said that opponents of biennial budgeting are merely defending Appropriations or Budget Committee turf. As a member of both committees, I am naturally sensitive to these charges. But the fact is that we want to protect the legislative powers of the entire Congress. The issue is not the devolution of power from the Appropriations Committee to the rest of Congress. Rather, it is the devolution of power from Congress to the executive branch.

Mr. Chairman and members of the committee, I urge you not to allow recent budget disagreements and frustrations to lure us toward a supposed "remedy" that would make the appropriations process less systematic, less flexible, and less potent. We must enhance Congress's power and performance in both budgeting and oversight, but for the reasons I have given, I believe that moving to a biennial budget and appropriations cycle would take us in the opposite direction. Thank you for your attention.

Mr. HASTINGS. Thank you, Mr. Price. Mr. Knollenberg.

**STATEMENT OF THE HON. JOE KNOLLENBERG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. KNOLLENBERG. Thank you, Mr. Chairman, and I thank those members of the Rules Committee that are still here to hear us, but I appreciate having you hold this hearing because I think it is important that we do bring forth our reservations, and I do have some about the move to bring about biennial budgeting.

I am concerned that in our haste to push forward this legislation we are overlooking many consequences that will drastically affect our budget process. I want to pose some concerns that I have. They are not new, but they are certainly ones on my mind, and having the benefit as I do of sitting on both the Budget Committee and the Appropriations Committee, I think I can see it from both ends. I am not an authority on this issue, and I certainly want to hear from everybody in terms of their suggestions as to what we should do.

I know the appropriations process here is tough. However, we shouldn't let the frustrations of these past few years push us to pass a bill that may not work. Clearly, much of the current dissatisfaction with the budget process is the result of divided control of Congress and the executive branch that has been talked about, and it is unlikely that a shift to biennial budgeting would make any difference. We must sit back and ask ourselves what are we trying to accomplish here and if this is the most effective way to accomplish that goal. I truly believe then that biennial budgeting is not a clear answer. I recognize the frustration. I have it, too. I share it both on the Budget Committee and the Appropriations Committee.

The uncertainty of budget projections, biennial budgeting could jeopardize the very thing that many in Congress hold most dear; that is, preserving the surplus for debt reduction, for tax cuts and for other pressing needs. Despite today's projections of huge surpluses, these numbers will invariably rise and fall with the economic cycle, with emergencies, those have been talked about, and other factors that are really outside of Congress' immediate control. For example, I have been told that over the last 4 years CBO incorrectly estimated the deficit, or surplus for the upcoming fiscal year by an average of \$99.5 billion. Given these inevitable fluctuations of economy and Federal revenues, Congress needs every tool at its disposal to ensure that there are sufficient surpluses each year to meet its target for tax cuts and for debt reduction.

The budget resolution provides the framework to make a year-by-year change or changes in entitlement programs, in tax policy, and in discretionary spending level. Only through actually passing appropriations bills can discretionary levels be changed. In the case of entitlement reforms, the budget resolution can protect these measures from a filibuster. Welfare reform might never have reached the President's desk had it been considered in the second session of the 104th Congress under biennial budgeting. It did pass the Senate, as you know, in 1995 by a mere 52 to 47.

On the subject of oversight, one of the supposed advantages of biennial budgeting is allowing additional time to focus on oversight. The irony is that most experts think that biennial budgeting would actually reduce oversight because most practical oversight is accomplished through the appropriations process when the agencies are dependent on Congress for more funding in the near term. While the Appropriations Committee would continue to hold oversight hearings during the second session, they would lack the threat of an appropriation reduction for agencies that fail to adhere to the authorizing statutes or to consult with Congress on agency operations or to meet other performance goals.

Further, with no regular appropriations bills in the second session, Congress would be forced to consider massive supplemental bills or correction bills to take care of changing priorities or unanticipated events and emergencies. Supplementals tend to be more directly under the control of the leadership, which means less Member input and oversight.

On the subject of cutting taxes, not only do I think that the biennial budgeting process makes it tough to keep the budget in balance, it can also eliminate any hope for tax cuts in election years. If the budget resolution includes an instruction to the Ways and Means and Finance Committees to report a tax bill, it is protected in the Senate from a filibuster. Any tax bill that is not reconciled by the budget resolution from the previous year will effectively need 60 votes to pass the Senate. This is a high hurdle for those who came to Congress with the mandate to provide tax relief for American families. For example, the marriage penalty relief bill could not have been possible under biennial budgeting. Leadership did not predict this piecemeal tax approach last year, and if it was not included in the budget resolution, Senate Democrats would have been able to filibuster the bill in the Senate.

I will close here shortly. I am aware that several of my colleagues have had positive experiences, as you have, Mr. Chairman, with biennial budgeting in your State legislatures, and you are aware of the current trend amongst States in shifting towards annual budgeting, even though there is talk of my State, Michigan, reconsidering that. I don't believe that is going to happen in the near term at all.

Currently 30 States budget on an annual basis with 26 States dropping biennial budgeting in favor of annual budgeting over the last 40 years. According to GAO, the States tend to switch as you know to biennial budgeting when their legislatures move from a biennial to an annual session of Congress.

Mr. Chairman, I conclude with those remarks, and I just again want to thank you, thank the committee for the consideration of bringing hearings to our attention so that we could provide our thoughts about the consequences of any act that we move forward on, and my concern is that the first thing we should do is do no harm to the system we have. We certainly don't want a lot of unintended consequences to make things worse than they are now.

[The prepared statement of Mr. Knollenberg follows:]

### Statement of Congressman Joe Knollenberg (R-MI)

Thank you Mr. Chairman for holding this hearing and allowing me to share my concerns with biennial budgeting. I am concerned that in our haste to push forward this legislation we are overlooking many consequences that will drastically affect our budget process. I have the benefit of bringing a balanced insight to the consideration of this issue as a member of both the Appropriations and Budget Committee. I understand the appropriations process is tough, however, we should not let the frustrations of the past few years push us to pass a bill that may not work. Clearly, much of the current dissatisfaction with the budget process is the result of divided control of Congress and the Executive Branch and it is unlikely that a shift to biennial budgeting would make any difference. We must ask ourselves what are we trying to accomplish here and if this is the most effective way to accomplish that goal. I truly believe biennial budgeting is not the answer.

#### Uncertainty of budget projections

Biennial budgeting could jeopardize the very thing that many in Congress hold most dear—preserving the surplus for debt reduction, tax cuts and other pressing needs. Despite today's projections of huge surpluses, these numbers will invariably rise and fall with the economic cycle, emergencies and other factors that are outside Congress' immediate control. For example, over the last four years CBO incorrectly estimated the deficit or surplus for the upcoming fiscal year by an average of \$99.5 billion.

Given these inevitable fluctuations of economy and federal revenues, Congress needs every tool at its disposal to ensure that there are sufficient surpluses each year to meet its target for tax cuts and debt reduction. The budget resolution provides the framework to make year-by-year changes in entitlement programs, tax policy, and discretionary spending levels. Only through actually passing appropriation bills can discretionary levels be changed. In the case of entitlement reforms, the budget resolution can protect these measures from a filibuster. Welfare reform might never have reached the President's desk had it been considered in the second session of the 104th Congress under biennial budgeting, because it passed the Senate in 1995 by a mere 52 to 47.

#### Oversight

One of the supposed advantages of biennial budgeting is allowing additional time to focus on oversight. The irony is that most experts think that biennial budgeting would actually reduce oversight because most practical oversight is accomplished through the appropriations process when the agencies are dependent on Congress for more funding in the near term. While the Appropriations Committee would continue to hold oversight hearings during the second session, they would lack the threat of an appropriation reduction for agencies that fail to adhere to authorizing statutes, consult with Congress on agency operations, or meet performance goals.

Further, with no regular appropriation bills in the second session, Congress would be forced to consider massive supplemental bills or correction bills to take care of changing priorities, unanticipated events, and emergencies. Supplementals tend to be more directly under the control of the Leadership which means less member input and oversight.

#### Cutting Taxes

Not only will biennial budgeting make it tough to keep the budget in balance, it could also eliminate any hope for tax cuts in election years. If the budget resolution includes an instruction to the Ways and Means and Finance Committees to report a tax bill, it is protected in the Senate from a filibuster. Any tax bill that was not reconciled by the budget resolution from the previous year will effectively need 60 votes to pass the Senate. This is a high hurdle for those who came to Congress with a mandate to provide tax relief for American families. For example, the marriage penalty relief bill could not have been possible under biennial budgeting. Leadership did not predict



this piecemeal tax approach last year and if it was not included in the Budget Resolution, Senate Democrats would have been able to filibuster the bill in the Senate.

**Biennial Budgeting and States**

I am aware that several of my colleagues have had positive experiences with biennial budgeting in their state legislatures. However, the current trend among states is a shift towards annual budgeting. Currently 30 states budget on an annual basis with 26 states dropping biennial budgeting in favor of annual budgeting over the last 40 years. According to GAO, the States tend to switch to biennial budgeting when their legislatures move from a biennial to annual sessions of Congress.

Thank you Mr. Chairman for giving me the opportunity to express my concerns today. I hope we have the opportunity to explore and understand the consequences of this issue fully before rushing this legislation through the House.

Mr. HASTINGS. I thank you very much for your testimony. It has been raised several times, Mr. Obey mentioned it and, Mr. Knollenberg, you mentioned it, about—my words—the problems we have with the Senate. Our Founding Fathers were pretty wise. They developed a system like this so we would have problems. This of course ultimately protects the people, but I would just make this observation as far as the reconciliation process that you mentioned.

We have within our rules right now to have multiple reconciliations to take that issue away if we had, and I certainly wouldn't suggest that the biennial budget is the only reform, but the one thing I wanted to ask Mr. Regula because he is the subcommittee chairman here, and in your testimony you briefly alluded to the fact that you have more oversight, and then testimony of the others said that that probably wouldn't be as good as is suggested, and I would like you to elaborate from your perspective of having the more time for oversight in the second year of a biennial budget.

Mr. REGULA. Well, I think it includes not only having hearings, but it also includes visiting sites. So we simply don't have time to go to park sites. I know that what limited amount I have been able to travel to sites has always been very productive in terms of getting ideas. There is no question we make policy with the checkbook here because in the final analysis how we allocate the Nation's resources really establishes a lot of our policies.

I think Mr. Price mentioned the fact that the authorizing committees will authorize for 2, 3, 5 years, sometimes indefinitely, but in a sense I think that supports the contention that we can operate on a 2-year budget cycle. I believe that the executive branch recognizes that management; that is, actually putting programs into action in the ground, basically needs more than 1 year in terms of the resources available and in terms of the direction that is articulated through the appropriations process.

I know Ohio uses a 2-year budget, and it works very well and we are a large State with a very substantial budget.

Mr. HASTINGS. One other observation that I made earlier and I want to make it again because it was alluded to in the testimony that while, yes, there will be supplementals, we have supplementals right now, one of the beauties of a biennial budget is that if the Congress chooses not to pass the supplemental, the world doesn't end, and I think that is in fact, I think that is a positive tool, and as I mentioned I experienced that at least twice in the recent memory in Washington State in our legislature where if you had annual budgets in both those cases you probably would have had a train wreck, but the fact they had a biennial budget and a supplemental wasn't passed, the world went on, and I think that argument needs to be made because it is a tool that works the other way.

You are not going to get rid of the supplementals, just like we don't in the annual process. So you will have to make those judgments when you go through the Senate. If anybody has a comment on that. Otherwise, if not, Mr. Price.

Mr. PRICE. Mr. Chairman, the purpose of a supplemental, of course, whether it is on a 1 year cycle or 2-year cycle, is to fill gaps that were left by the regular process and to take care of emer-

gencies and to make fine-tuning adjustments, and that need is going to be there whether we are on a 1 or 2-year cycle. I think my point is that this will be far more common and far more problematic under a 2-year cycle because I think the frequency of these supplemental requests will surely increase. The sporadic nature of supplemental appropriating worries us all, and that would be increased, and I think our ability to respond to changing conditions would face a very high hurdle, whereas now it is done as a matter of course with the 1-year process.

So the need is going to be there for the responsible use of supplementals, no matter what kind of cycle we have, but I think a much greater institutional burden is placed on us with a 2-year cycle, plus all the other problems of deferring so much authority. I think we would be put in a position of seeking the sufferance of executive agencies or trying to get these supplementals jimmied up. Members would have that pressure on them far, far more than they do now where we have that regular process, that regular annual process that we simply plug into and that we plug into in the annual appropriations cycle.

Mr. KNOLLENBERG. Just a quick add-on to that, Mr. Chairman. I think that there is a tendency here to compare the States with the Federal Government, and one thing that the Federal Government has to consider and we do it periodically sitting, as I do, on the Foreign Operations Subcommittee, there are world events that change very quickly, producing the need to use the machinery, the vehicle of a supplemental to bring about funding that will get into those areas very quickly. It has been perhaps tame in terms of the fact we haven't had a war situation, not confrontational war, which was the case during the Cold War.

I can tell you this, there are more instances where that will be the vehicle sought for to use to bring about that funding, and when it takes place, then you have the interested parties from all over who go through the business of the Christmas tree which does begin to get bigger and bigger and bigger. I think that is something that is uniquely Federal, that the States don't have to deal with in quite the same way. As I mentioned previously, there are some 170, I think maybe 200, countries worldwide that we have an interest in. That is a problem I think that biennial budgeting really does not get a close look at.

Mr. HASTINGS. Well, I want to thank you for your testimony and for your indulgence of waiting, especially, Mr. Price and Mr. Knollenberg, for testimony prior to yours. So thank you very much for your testimony.

Next we have Mr. Bass of New Hampshire.

Mr. BASS. You want to have all the other guys come up at once so we get it over with a little quicker?

Mr. HASTINGS. I have no objection if you don't have any objection. We will recognize Mr. Stearns and Mr. Barton, but we will lead off with—there is Mr. Smith from the Budget Committee. You may as well join everybody else. We will lead off with Mr. Bass.

**STATEMENT OF THE HON. CHARLES F. BASS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE**

Mr. BASS. Mr. Chairman, I appreciate the opportunity to be here today, and I know that this has been a long hearing.

Mr. HASTINGS. I will say that without objection your full statements will appear in the record, and you are welcome to summarize your statements, but your full statement will appear in the record. Mr. Bass.

Mr. BASS. Thank you, Mr. Chairman, and I know that this has been a long day. There has been a lot of testimony. I have a hearing in the Intelligence Committee in approximately 4 minutes. That is why Mr. Goss isn't here to beg your indulgence to allow me to be excused when I complete my testimony, which will be mercifully short.

I want to thank you and all the members of the Rules Committee for holding this hearing and hopefully more as we move this issue further forward. I believe that now the stars are almost in line to move forward on something that should have been done a long, long time ago, and that is implement biennial budgets and appropriations in the House and in the Senate.

I am not going to go through point and counterpoint on the arguments for or against biennial budgets and appropriations. You have heard them all by now. I would only say that there are Members, there are appropriators and there are budgeteers who are concerned about the concept of change, but every single one of the arguments that they give, no tax cuts in off years, no ability to conclude oversight in an appropriate fashion, incompatibility with the balanced budget, all of these arguments are refutable on exactly the same grounds that they give for the arguments in the first place. Clearly, if you plan a budget appropriately you can have tax cuts in the second year. Clearly, if you say that the CBO predictions are not good for long periods of time, if you use that argument you ought to have a budget every week, you ought to have a new budget every week or month or 6 months, but the fact is Congress meets as a Congress for every 2 years. It is good for the States and it is good for our institution to put together a plan for a 2-year period that we can adjust during that 2-year process, make this body work more efficiently.

And I know there are folks that love to spend a lot of time down here dealing in a reactive fashion with all the issues year after year after year. Congress needs to make policy. We need to be proactive. We need to take the President's budget on a 2-year basis, develop a plan, amend it during the 2-year process as necessary so we can pay more attention to other issues that Americans want us to address during a 2-year cycle in Congress.

I know that I have submitted my full testimony for the record, and with that I would like to thank you for holding this hearing and hope we can move forward with this important legislative proposal.

[The prepared statement of Mr. Bass follows:]

**Statement of Congressman Charlie F. Bass (R-NH)**

I wish to begin by thanking the Chairman and the Committee for the opportunity to speak today in favor of biennial budgeting. The Chairman and many Members here today and scheduled to speak in future hearings have been tireless leaders in this reform effort, and I am honored to be in your company.

The attention drawn this year to the budget caps, election-year partisanship during appropriations, and budget process reform offers an historic opportunity for the House to support biennial budgeting. The strong, bipartisan majority that cosponsored the sense of the House resolution introduced by Chairman Dreier last year to call for passing legislation this year shows how near we are to enacting this long-overdue reform.

As a New Hampshire resident and a former member of the state's House and Senate, I know first hand the advantages of biennial budgeting. New Hampshire uses a biennial budget because it is a more efficient and less cumbersome process. In our experience, it reduces spending and leaves more time in the off-years for oversight of programs. The result is a smaller, leaner, more responsive and more efficient government. All Americans deserve the benefits that would result from biennial budgeting at the federal level.

Elections and appropriations don't mix to make good government. Despite the admirable leadership of the current Chairman of the Appropriations Committee and other Members, as a rule, election year train wrecks consume valuable legislative time and too often result in last-minute, bloated appropriations. Resolving the bulk of budget and appropriations decisions in the First Session of every Congress would solve this problem.

Budgeting and appropriating for two fiscal years at a time better exposes year-to-year funding changes to scrutiny and requires more prudent funding decisions. By eliminating repetitive and time-consuming appropriations work, Congress as a whole and even the appropriations subcommittees would be able to focus on more oversight of programs. This would also contribute to more appropriate funding decisions in biennial appropriation bills and any necessary supplemental/recision legislation.

As with oversight, biennial budgeting would allow more time for needed authorization legislation. In addition, the overwhelming appropriations work load every year has upset the intended balance in the role of authorizations and appropriations. Biennial budgeting would help restore the importance of the authorization process.

Preparing for annual appropriations is as much or more of a drain on time and resources for federal agencies as it is for Congress. Biennial budgeting would increase agency efficiency and provide them with more stable and predictable budgets. In addition, Congress would be able to exercise better oversight over them.

As recently as WWII, all but four states had biennial budgeting. The growing dependence on annually-appropriated big-government programs, however, helped moved many to change to annual cycles. Although this trend has reversed in recent years (today, 21 states have biennial budgets and two others have a mixed cycle), biennial budgeting at the federal level would help states return to this common sense process. Even if states retain annual cycles, they will benefit from more stable and predictable federal funding.

Last fall I introduced H.R. 2985, the Budget Responsibility and Efficiency Act. This legislation, which already has nearly 40 cosponsors, would enact biennial budget and appropriations cycles consisting of two distinct fiscal years, beginning with FY02-FY03; require, with certain exceptions, that authorization bills cover at least two fiscal years; and conform the Government Performance and Results Act to biennial cycles. Budget and regular appropriations legislation would be enacted during the First Session, leaving the Second Session largely free for

authorizations and more oversight. Unlike some other approaches to biennial budgeting, however, it would allow full flexibility in considering authorization or revenue legislation during the First Session as necessary.

To average Americans, budget reform always sounds like a boring, inside the beltway concern. But with biennial budgeting, Americans would receive better government service, better value for taxpayer dollars, and a renewed confidence in the ability of Congress and the President to serve their constituents in a less partisan, more thoughtful and responsive manner.

Better congressional oversight will reduce waste, fraud, and abuse in government programs and improve the overall performance of federal agencies. More deliberative budget planning, largely removed from election year partisanship, will better allocate federal funding where it is truly needed. Reducing the time-consuming burdens of the budget process will free time and energy of federal agencies to devote toward serving American citizens, and allow Members of Congress more time to devote to the interests of their constituents.

From more efficiency to less money spent on just preparing annual budgets, the same factors that will produce better government service will help ensure that the tax dollars paid by Americans will be spent wisely and effectively. By ensuring that tax dollars are spent wisely and effectively, Congress will be able to return unnecessary taxes to hard-working Americans.

Bringing greater efficiency, accountability, and effectiveness to government programs can only help restore public trust in and respect for government. Americans would feel a renewed confidence in the ability of Congress and the President to serve their constituents in a less partisan, more thoughtful and responsive manner.

In conclusion, biennial budgeting is reform whose time has come. I applaud the bipartisan efforts of those Members who have worked so hard to bring this reform about, not only during the past few months, but for many years. I look forward to helping bring these efforts to fruition.

Thank you Mr. Chairman.

Mr. HASTINGS. Mr. Bass, thank you very much. We will go to another member of the Budget Committee, Mr. Smith.

**STATEMENT OF THE HON. NICK SMITH, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. SMITH. Mr. Chairman, thank you very much. I will present the other side of the story. In addition to David Obey, the Congressional Research Service, the National Association of State Budget Directors, and GAO have testified that 2-year budgets will transfer power away from the legislative branch to the executive branch. We already have an imperial presidency. So I think we need to rethink support for a budget process where the executive is going to tend to insist that the second year of a 2-year budget increase at least with inflation.

If we had had inflation increases in discretionary spending over the last 10 years, we would not have a budget surplus today. So one consideration is that transfer of spending power to the presidency.

Another serious consideration is asking the budgeteers to come up with projections that are 2 years into the future.

If you look at this chart on budget projections you will see the significant discrepancy between one year projections and what has actually happened. The top of the chart, if we get above zero that means we have a surplus. You can see the far right top blue line, we are starting to move into the surplus. The red area represents the projection of deficits. The larger spaces in '92 and in '97 are a hundred billion dollars plus, and that is only a 1 year or 12 month projection. If you do a 2-year projection, the accuracy declines even further. Two years ago CBO projected that there would be a \$70 billion unified budget deficit in fiscal year 2000. Of course we know that reality is quite the contrary. It is a \$170 billion surplus that has happened.

So will we take up like the State of Ohio a Budget Adjustment Act? Ohio is the only large industrial State left in the Nation that has a 2-year budget. Twenty-six States have changed from a biennial budget to an annual budget since 1940 for one reason or another. In most cases, as I have talked to state legislators, the reason was increased power of the purse strings.

An argument for a biennial budget is that it will somehow give us more time to oversee the different agencies. I worked in the Nixon administration for 5 years, and we hopped to and did everything we could to become genial to Congress at budget time. I see a danger of losing that pressure in those off years.

In those off years we are not going to have as much influence and, Mr. Dreier, the other thing I would like to suggest is that the Budget Committee should also have jurisdiction over this proposal. I hope we would have the hearings in both places.

The CHAIRMAN. [Presiding.] That is your prerogative.

Mr. SMITH. Mr. Chairman, what this chart says, just lays out how far off we have been in terms of our deficit projections, and that is with 1-year projections. A 2-year projection has been 200 billion or more off. Two years ago the Budget Committee was projecting a \$70 billion deficit. Now we have \$170 billion surplus.

Huge problems in that kind of projection, which leads me to the next chart.

I understand that we very well might again pass a balanced budget amendment to the United States Constitution. We know what it says, outlays for any fiscal year shall not exceed total receipts for that fiscal year unless. With the problem of projections, with an administration that tends to want to spend, insisting that it be at least discretionary spending plus inflation, with the history of supplementals, 25 billion each over the last 2 years, I don't think it is going to fix the problem of reducing spending. This country for 220 plus years has had an annual budget. The problem that we faced in the last dozen years with increased spending isn't because we have had an annual budget rather than a biennial budget.

Thank you.

[The prepared statement of Mr. Smith follows:]



### Statement of Congressman Nick Smith (R-MI)

Biennial budgeting has a lot of appeal on the surface. It appears to reduce the budget workload on Congress, freeing up time for oversight and other work. We should be aware, however, that it would be the most significant congressional budget reform since 1974 and would have far reaching ramifications. We need to stop for a moment and consider some of the problems that biennial budgeting could pose.

Specifically, we need to think about how biennial budget will alter our relationship with the executive branch, endanger our finances, and impede our ability to deliver tax cuts and other legislation for the American people. At the same time, I'm convinced that the claimed benefits will prove to be mostly illusory.

#### **Losing the Power of the Purse**

The congressional control over the purse is our best tool to manage agencies. Congress makes best use of this tool when it keeps the executive agencies on a short leash. The problem with biennial budgeting is that it lengthens that leash and would inevitably shift power from Congress to the executive. Experts who study biennial budgeting, including those at CBO, CRS, and the National Association of State Budget Officers have stated that biennial budgets shift power to the executive branch.

I know that when I served in the Nixon Administration we took Appropriations very seriously. We'd do what we had to to keep Congress happy. There will certainly be less pressure on agencies to do that in off-years of a biennial budget.

#### **Endangering the Balanced Budget**

The difficulty of estimating revenue two years ahead will increase error. Just since October, the CBO baseline on the FY 2000 budget has shifted \$40 billion, from a \$17 billion on-budget deficit to a \$23 billion on-budget surplus. Budget projections have shifted by more than \$100 billion over the course of a year. Not all of these shifts will be positive like the recent ones have been. The longer projections necessary for a biennial budget multiplies this uncertainty. GAO cited the uncertainty of budget projections as one of the chief reasons why 26 states have changed from biennial to annual budgeting since 1940.

Congress has few options for dealing with this uncertainty, none of them without problems. First, Congress could pass bare-bones budgets with minimum funds in anticipation of supplemental appropriations, where necessary, in the second year. Under this approach, Congress maintains greater oversight but sacrifices much of the time savings that motivates the shift to biennial budgeting.

Bare-bones budgeting would be difficult politically. It is unlikely that an Administration and powerful Members of Congress would accept stingy funding of their priorities on the promise of a supplemental. In addition, the "must-pass" nature of massive supplemental appropriations has frequently led them to be vehicles for special-interest pork. Relying on off-year supplemental appropriations could lead to an even less disciplined budget process.

The more likely option is generous budgeting with greater flexibility for agencies to shift money between accounts or contingency funds. Agencies will undoubtedly ask for additional budget padding to compensate for uncertainty about the future. The political difficulties of enacting rescissions to recover "unnecessary" money in off-years or meet budget targets would be substantial. As a result, Congress would exercise less control over agencies than it does now and would face still greater pressure for higher government spending that could threaten our currently balanced budget.

### **The Myth of Oversight**

One of the supposed advantages of biennial budgeting is that it will free up time for increased oversight. On consideration, however, this benefit turns out to be more apparent than real.

First, it is important to note that the authorizing committees have the primary responsibility for oversight and that biennial budgeting would have little or no effect on oversight by authorizing committees. This bill will not change their work load. The only major government function currently authorized every year is the Defense Department. Other programs are already on multi-year authorization schedules.

The annual oversight hearings conducted by the Appropriations subcommittees now are some of the most effective oversight Congress does. Assuming that the Appropriations subcommittees are not caught up in the supplemental appropriations and rescissions generated by a two year budget, they would have some additional time for oversight. However, they would also lack the tool of pending appropriations that commands the agencies' attention and gives their oversight teeth.

Our oversight problems that prevent program authorization generally involve political conflicts that biennial budgeting will not address. Biennial budgeting, for example, will not make it easier to authorize foreign aid. Even if more time is made available for oversight and the political will exists to conduct that oversight, the new process cedes much of Congress's power over the agencies that makes oversight effective. The strong support for biennial budgeting from the Reagan, Bush and Clinton Administrations, and Vice-President Gore indicates their judgment that biennial budgeting will give the executive branch more power.

### **No Tax Cuts or Entitlement Reforms in Off-Years**

The budget reconciliation procedures empower the congressional majority. By banning filibusters in the Senate, reconciliation allows the congressional majority to frame important issues by putting tax and entitlement bills on the President's desk. Under a biennial budget, Congress would lose that power in off-years. This year, Ways and Means Chairman Archer intends to pass a series of tax bills under reconciliation procedures. Under a biennial budget, one or more of them might be filibustered.

Reviewing the last decade, much critical legislation would likely have been defeated without reconciliation, including the 1990 and 1993 tax increases, the 1995 welfare reforms, and the 1997 tax cut and balanced budget package. The loss of reconciliation would obviously weaken the congressional leadership and cripple its capacity to lead in off-years.

### **Conclusion**

Congress has passed an annual budget every year since 1789. While our current budget process is far from perfect, its problems are not caused by annual budgeting. In fact, the steady shift of states over the last fifty years from biennial to annual budgeting suggests that the biennial budget may raise problems rather than solve them. As Budget Chairman Kasich has noted that biennial budgeting will do nothing to reduce spending. I would add that the discipline for oversight is going to have to come from the Members rather than the process.

I encourage my colleagues who have signed on to biennial budgeting resolution to rethink their support.

The CHAIRMAN. Good. Thank you very much. How are we going here? Ms. McCarthy.

**STATEMENT OF THE HON. KAREN McCARTHY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI**

Ms. McCARTHY. Actually, Mr. Chairman, I thank you. I have the least seniority of this group.

The CHAIRMAN. Karen, you are recognized.

Ms. McCARTHY. Thank you, Mr. Chairman. I am going to just make three points, and I have submitted my entire testimony.

The CHAIRMAN. Without objection it will appear in the record. Appreciate that.

Ms. McCARTHY. Missouri is one of 23 States that has benefited from a biennial budget, and I served for 12 years on the Appropriations Committee in the Missouri House. So I know firsthand the benefits that can be gained when you move to this particular 2-year program. We use it mainly in Missouri, as with most States, to work on capital improvements and to be able to make major plans for capital investments and to improve program oversight.

So at the Federal level that means the Defense Department will be able to budget more effectively, and that will save dollars. We are finding savings at the State level and that is why so many States, 23, are using this.

You still are able to fine-tune the budget each year but you have taken some of those major initiatives and allowed them to go forward and plan properly. That will be, I think a benefit to all of us.

I am here in support of the measure, Mr. Chairman. I hope this is the year that it is possible to make it become law.

[The prepared statement of Ms. McCarthy follows:]

**Statement of Congresswoman Karen McCarthy (D-MO)**

Good afternoon Mr. Chairman, Ranking Member, and members of the committee.

My state of Missouri is among the 23 states across the country that have benefitted from biennial budgeting. Missouri began using a mixed biennial budget process several years ago (94-95 biennium). The day-to-day operations of the state continue to be authorized on a yearly basis, but our capital improvements budget -- about \$700 million -- operates on a biennium.

As one who served on the Missouri House Appropriations Committee for a dozen years, I know first hand that moving to a biennial capital improvements budget can improve the planning of major capital investments, and result in improved programmatic oversight.

As with the Missouri experience, I believe a biennial budget will improve both our fiscal and programmatic management at the federal level, and enable us to become more efficient and more productive with appropriate oversight.

While there is a noticeable lack of empirical evidence on either side of the argument, reports from state budget officers around the country offer compelling testimony to the cost savings associated with biennial budgeting. The direct cost savings involved with preparing a budget every two years, such as materials, supplies, and printing may well be said to be worthwhile in itself. States that have switched from an annual to a biennial budget are all reporting savings ranging anywhere from slight to significant to half the price. As representatives of our constituents responsible for achieving greater efficiencies at the federal level, these direct cost savings cannot be ignored.

But even more meaningful are reports of indirect savings associated with planning and program performance. Less time spent on budget negotiations results in more time for activities that are too often neglected or overlooked. For example, state agencies have been able to improve program execution, management practices, and valuable measurement indices. This is not only resulting in better success rates with regard to goals and cost projections, but it is also creating a better informed legislature capable of introducing thoughtful, well conceived legislation aimed more effectively at addressing those issues of greatest concern. Every legislator in this House can appreciate the advantages of time and oversight. And every resident of every congressional district in the United States will benefit from well executed programs and public policies based on sound, unharried judgement. As we continue to streamline the federal government and operate more like a business, long term planning tools increasingly need to be employed. Some may take issue that two years is not sufficiently long term, but I would suggest in our quarterly report-driven world that a biennial budget process would be beneficial.

One final point that is not often mentioned is that the improved predictability of a federal biennial budget would facilitate the budgeting processes of state and local governments. While it is true that biennial projections will prove slightly less accurate than annual forecasts, supplementary bills and adjustments can be made to adapt to changing economic conditions when circumstances warrant, and discretionary programs at the state and local level will, at the very least, rest assured that their funds have been authorized and are not subject to dramatic or politically motivated changes.

I strongly believe a biennial budget would improve the productivity and effectiveness of our federal government. This is an opportunity, as we begin a new millennium, to ensure that we do so with renewed emphasis on cooperation, results, and efficiency.

The CHAIRMAN. Thank you very much. We have got Republican, now Democrat, we have three other Republicans, and all three of those Members were very involved in encouraging us to proceed with this effort, Mr. Barton, Mr. Stearns and Mr. Whitfield, and I would like to recognize them.

Mr. BARTON. Thank you, Mr. Chairman. I would ask unanimous consent that my written statement appear in the record.

The CHAIRMAN. Without objection your entire statement will appear in the record.

**STATEMENT OF THE HON. JOE BARTON, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF TEXAS**

Mr. BARTON. I will be very brief. I would just like to say that what Congressman Smith said totally misses the mark. We have the most inefficient, ineffective, anachronistic, ill thought out budget process of any major institution in the United States.

The CHAIRMAN. So you think we ought to tweak it a bit then?

Mr. BARTON. I think we should junk it and start over. I would love for this committee to move to the floor the major budget process reform bill that I have put in 10 or 15 times, but if we can't be comprehensive, we can at least start in the right direction, and here your biennial budgeting bill is a really good first step.

To say that we can't put a 2-year budget cycle in when the House is elected for 2 years is inane. We could do it. We can monitor it. The State of Texas, which last time I looked had a little industrial production, has a biennial budget.

The CHAIRMAN. Not a big 10 State I found out this morning.

Mr. BARTON. They have had balanced budgets for over a hundred years. They hit the mark. They have got good estimates. They have got an appropriation committee on the House and the Senate that does a good job. I think we could do an equally good job, if not better.

So suffice it to say that I am a strong supporter of your bill. I am an original cosponsor. I think it would send a great signal to the American taxpayer to see that the Congress this year does one thing that makes sense in terms of budget efficiency, and I quite frankly think if you will put the bill on the floor you are going to get an overwhelming vote, and with Senator Domenici in the Senate, with his position on the Budget Committee over there as chairman, if the House takes the lead, I think the Senate will follow, and we will set the tone to do more comprehensive reform, if not later this year, in the first session of the next Congress.

[The prepared statement of Mr. Barton follows:]

**Statement of Congressman Joe Barton (R-TX)**

I want to thank Chairman Drier and the other members of the Rules Committee for holding this hearing on biennial budgeting. I am happy to see attention being given to this important issue and appreciate the opportunity to testify here today. Since the Republicans have taken the majority, I have been a strong supporter of budget process reform. As I have said to this committee in the past, budget process reform is an essential key to reaching and maintaining a balanced budget. Passage of meaningful process reform would leave its mark on this Nation for generations to come. In fact, I have introduced budget process reform legislation in this Congress and one of the main points of my reform bill is biennial budgeting for the federal government.

The American people are sick and tired, like I am, of the same old budget story coming out of Washington at the end of every year. The process in which we fund our government has become one big staring contest. Each year, hot political issues and scare tactics are used to hold up and stall the federal budget process so that at the end of the year some can attempt to cater the final budget numbers to be most appealing to their constituencies, regardless of whether or not the spending direction and levels are good for the country as a whole. This political game must be ended and sanity must be brought back to the federal budgeting process.

So the question becomes can biennial budgeting bring sanity back to the budgeting process? Well, while I think other reforms are also needed to bring us the type of efficient and honest budgetary process we need, I am convinced that enacting biennial budgeting would be a tremendously sound step in the right direction.

There are many sound arguments as to why and how biennial budgeting would help make the federal budgeting process more reliable and sensible. First of all, budgeting for a two year cycle would force Congress to be more careful in their spending habits and encourage Members to be more responsible in the amounts and directions in which they allocate taxpayer dollars. Far too often, pet projects for a certain party are added on to annual appropriation bills at the last minute, usually without the proper scrutiny of Congress. With one budget process every two years, the opportunities for that kind of spending would be cut nearly in half.

Federal agencies would also be more efficient and cautious in how they use their funds because of the length and stability of their funding over a two year cycle. In addition, Congress would be able to exercise better oversight over these government agencies and programs to ensure that the financial commitment involved is sound fiscal policy for the country to undertake.

However, the most important aspect of biennial budgeting in my opinion is not what enacting it would do for Congress, but rather what it would allow Congress to accomplish. Each year, both parties state the many goals and accomplishments they hope to pass in order to improve the life of the American people. And each year, achieving these goals are becoming more and more difficult because of the time that is required to be spent on the annual appropriations process. Imagine how productive Congress could be if instead of having to deliberate over every dollar the government will see that given year, we could commit more time to the different issues that most of us came here to work towards. I want to spend more time helping small business and small communities by cutting taxes and wasteful spending in our government and pushing for legislative proposals that give more freedom for the American people to work towards a better tomorrow. I think every Member would tell you that he or she would like to have more time and resources to pursue the types of issues that they were all sent to Congress for in the first place. Biennial budgeting can help to make that happen.

Biennial budgeting is simply one of the reforms I would like to see happen to the federal budget process, however I think it is one of the most vital. It is time for Congress to free up this process and allow this body to stand for more than annual appropriations battles. It is time for us to start spending our time and the American taxpayers' dime more wisely.

Again, I thank you for the opportunity to testify here today and stand ready to help in any way in future budget process reform considerations.

The CHAIRMAN. Thank you very much. Joe, I appreciate your support. As you and Cliff and Ed know very well, Pete Domenici and I go back to 1993, when we started on this process. We had that Joint Committee on the Organization of Congress. In the past 7 years we have had many different proposals that have been introduced for aspects of biennial budgeting, but all sort of focused on that same issue that we spent a great deal of time on in the early part of the last decade, and I think it has taken a while to get to where we are, but to have the chairman of the Appropriations Committee, to have what was a very strong statement that came here from the Speaker of the House as our lead off witness this morning, I just want you all to know it is a very, very encouraging sign, and obviously there is still opposition to it by some, but I think that we have some very valid arguments to respond.

Mr. BARTON. Mr. Chairman, do you have an indication of when this might come to the floor?

The CHAIRMAN. Not yet. We still want to try and address concerns that have been raised, but as you know, the resolution which we introduced, as the Speaker said today, nearly 250 cosponsors, and it simply calls for in this second session of the 106th Congress for us to move ahead with biennial budgeting, and you know to put a time frame on it will be tough at this juncture, and also, we want the Budget Committee to work its will, and there are some Members who are for it, some against it. I just had a conversation with the chairman of the Budget Committee 10 minutes ago about this issue and other concerns raised.

We have authors of two bills dealing with this here. Cliff Stearns and Ed Whitfield have each introduced legislation. We are happy to recognize you, Mr. Stearns.

**STATEMENT OF THE HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. STEARNS. Thank you, Mr. Chairman. I have made my statement part of the record.

The CHAIRMAN. Without objection it will appear in the record.

Mr. STEARNS. I think you have heard all the arguments. Listening to Nick Smith, there are two points I would make. One is that if CBO is not accurate, we should try to work harder to make CBO more accurate instead of saying that the CBO is not accurate as an argument for not having a biennial budget.

In my home State of Florida they passed a biennial budget and then they rescinded it. As I understand, there are 21 States now that have a biennial budget. I think for us to win this argument we are going to have to take those States like Florida where they did not succeed and were not happy with the biennial budget, we have got to identify why, and make sure that when we get on the House floor and we pass this legislation, that we fully explain all the reasons why this will work and why a lot of the States that implemented it and then rescinded it found that it did not work.

So we have got a challenge here because like many pieces of legislation, some States will implement it, other States will pass it, and eventually the majority will sustain a version of the legisla-

tion. Here we have States passing a biennial budget, and lo and behold, then some are rescinding it.

So the rescinding of these pieces of legislation dealing with the biennial budget didn't occur in a vacuum. I talked to our speaker of the Florida House about it. He has a myriad of reasons why the biennial budget will not work. So I think, Mr. Chairman, when we go further on this we have to probably do hearings to determine why it didn't work in the States and preclude those arguments in the House.

So I urge you when we bring this to the floor that we have a hearing to bring speakers from the States forward like Speaker Thrasher from the State of Florida, to say why it did not work and why did you rescind a biennial budget, and hear all that before we get on the floor because we want to make our piece of legislation foolproof. We want to learn from what happened in the past, and I, like many Members, support this but I do want to understand all the problems in the past.

[The prepared statement of Mr. Stearns follows:]



**Statement of Congressman Cliff Stearns (R-FL)**

Thank you, Chairman Dreier, for holding this important hearing and for your leadership on this issue. I support a biennial budget and appropriations process and that's why I support passage of H. Res. 396 calling for enactment of a biennial budget process. Earlier this year I introduced H.R. 493, the Biennial Budgeting and Appropriations Act, to establish biennial budgeting for the federal government. The same legislation is pending in the other body, offered by Senator Pete Domenici, Chairman of the Senate Budget Committee.

Why is this an improvement over the current process? I believe that by adopting such a measure we would remove the political infighting that so often occurs during budget negotiations. What I would like to see is the First Session of Congress being dedicated to passing a budget and the 13 appropriations bills. The second session would be dedicated to authorization bills, which tend to be bypassed, to government oversight, and to other important legislative priorities.

The Second Session would also be reserved for any true emergency spending. The current way of doing business often leads to a stalemate where politics often prevails.

As we all know, the budget process often results in gridlock. In the past we have witnessed train wrecks, government shutdowns, and continuing resolutions. The greatest deliberative body in the history of the world, the U.S. Congress, cannot manage the federal purse string each year without acrimonious wrangling. The political gamesmanship exercised by the President does not help the matter.

The President has just submitted his fiscal year 2001 budget proposal and Congress will begin to consider its annual fiscal blueprint. Need I remind you, this is an election year, and we can expect a great deal of turmoil as the budget is used for partisan purposes. There has to be a better way to plan and spend an almost \$2 trillion budget.

Although establishing spending levels in Washington will always be contentious, there is strong agreement on adopting a two-year, or biennial, budget process. President Clinton, Senate Majority Leader Trent Lott, and other congressional leaders have endorsed this streamlined system. Recently, 245 members of the House joined in expressing their support for biennial budgeting.

Under a biennial budget the President would submit a two-year budget proposal and Congress would approve a two-year budget resolution during the first session of Congress. Congress then would consider and pass 13 two-year appropriation bills for the President's signature. The second session of Congress would be devoted to overseeing government programs, considering authorization bills, and working on other legislative priorities. Imagine, members of the House and Senate carefully considering legislative proposals and addressing major issues and emergencies at a deliberate and reasoned pace. The annual budget process has become a tool of political theatrics yielding poor policies. Using my proposal, spending decisions would be made in the year prior to an election year, putting policy ahead of politics. It is no secret that pork projects abound in election years.

Annual budgeting also encourages using accounting gimmickry and wishful thinking. Lawmakers frequently adopt budgets with ambitious out-year spending restrictions; restrictions that rarely materialize. It is easy to promise to make tough decisions next year, beyond the reach of the current budget. Biennial budgeting doubles the period for specific spending levels and holds decision makers more accountable.

A two-year process would increase efficiency throughout the federal government. Federal program managers produce volumes of information each year supporting their budgets and justifying increases. Two-year budgeting also would reduce the time devoted to paperwork and would provide these managers a two-year funding commitment. Whether their budgets are increased or reduced, they would have the needed information to maximize planning and efficiency.

Twenty-one states today have biennial budgets and two use a mixed-cycle process. These successes could be reproduced on the federal level. Since 1950, Congress has only twice met the fiscal year deadline for completion of all 13 individual appropriation bills. A two-year budget cycle will introduce greater stability to the funding process, decrease political manipulation of federal spending, and enhance the efficiency of Congress and federal agencies. It would also increase the public's confidence in the ability of the federal government to manage its responsibilities. That is the mark of good government.

The CHAIRMAN. Thank you very much, Clifford. Again, thank you for being so diligent in pursuing this issue vigorously, and I look forward to meeting Speaker Thrasher.

Mr. STEARNS. He will be glad to come.

The CHAIRMAN. I would like to have his thoughts on this issue, too. I am happy to recognize my very dear friend, a man who is so intelligent he married a Californian, a lovely Californian at that, as are most Californian women, all Californian women, and Ed Whitfield is again, as I said at the outset, one of those who provided me with a great deal of encouragement to charge ahead with this issue, and having worked on it for so many years, the encouragement that you provided really helped get us going again. I am happy to recognize you again.

**STATEMENT OF THE HON. EDWARD WHITFIELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY**

Mr. WHITFIELD. Mr. Chairman, thank you very much. I am sure I am not going to say anything this afternoon that has not been said by many Members before, but I wanted to come over here, and I broke away from a meeting with some constituents, which I infrequently do, because I do not think there is a more important reform that we can adopt to help Congress as an institution than this reform.

While I support controlling spending, I am not supporting this legislation primarily because I think that it will help control spending necessarily. I think that this type of legislation will help us stop being a reactive Congress and give us the time to look at substantive policy to help solve problems like Medicare, health care and education, and give us more time to come up with substantive solutions instead of Band-aid approaches.

In addition to that, Congress needs more time for oversight to determine which programs are working and not working. Right now I believe everything is driven by the appropriations process, and even in discussions that I have had with people in the executive branch, at the Defense Department, at the Treasury, at Education, while it may not be their official position, unofficially everyone that I have talked to thinks it would be a tremendous benefit to go to a 2-year budget in an appropriation cycle.

So I am here simply to lend my support to do anything I can do to adopt this reform because I think it is essential for the American people. Thank you for your leadership.

[The prepared statement of Mr. Whitfield follows:]

**Statement of Congressman Edward Whitfield (R-KY)**

Mr. Chairman and Members of the Rules Committee, I am pleased to appear before the Committee in support of proposals to adopt a biennial budget and appropriations process. I am proud to be a cosponsor of a number of these bills including H.Res. 396, a resolution introduced by Chairman Drier.

The annual budget process results in a frenzied rush to complete the budget and appropriations bills before the end of the fiscal year, thus preventing the thorough and comprehensive consideration of spending measures. Due to the time consuming annual budget process Congress rarely meets budget or appropriations deadlines, thus fueling public cynicism of government. A large amount of discretionary spending changes very little from year to year, forcing Congress to process unnecessary volumes of repetitive legislation.

Every year Congress' budget responsibilities occupy a significant portion of the legislative calendar to the detriment of oversight and authorizing duties. Congressional oversight of federal programs is essential to ensure executive compliance with legislative intent and effective implementation at the agency level. Unfortunately, the annual budget process forces Congress to relegate oversight to a secondary priority.

Annual budgeting detracts from Congress' ability to formulate consensus on reauthorizing legislation. As a result, the appropriations process is used to make short-term extensions of expired statutes, indefinitely delaying the programmatic evaluation and necessary adjustments performed during oversight. Biennial budgeting will ensure the integrity of the legislative process by preserving non-controversial issues for authorizing committee action, rather than ceding these issues to the Appropriations Committee. Biennial budgeting will also allow Congress to address necessary changes in federal programs and government operations in addition to reauthorizing expired statutes.

The annual budget process requires departments and agencies to devote an unreasonable amount of manpower, time, and resources to the preparation of budget justifications. As with Congress, federal agencies are forced to perform redundant and time-consuming budget duties each year at the expense of program implementation. The federal government needs to focus on actually implementing laws passed by Congress rather than focusing efforts on securing funding for the next fiscal year. Biennial budgeting will reduce uncertainties and disruptions caused by annual budgeting, thus producing greater stability in federal program implementation and allowing all entities receiving federal funding to engage in more effective long-term planning.

I hope that the House will approve H. Res 396 and adopt biennial budgeting soon after. Thank you for allowing me to appear before the Committee today.

The CHAIRMAN. Thank you. Ed, as I said, you have done it. You have been very, very encouraging and helpful in this process all along, and I appreciate the thoughtful remarks that you have made, not only here, but through the deliberations. I know we have had a colleague Walter Jones who has joined with us in our first meeting that we had, and again, in response to Joe Barton's question, we don't have an absolute time line put into place, but we are hoping that we will be able to do this this year.

Mr. WHITFIELD. Thank you, Mr. Chairman.

The CHAIRMAN. And our next witness is the gentleman from Ohio, Mr. Ney, and we welcome you. If you have prepared remarks, they will appear in the record in their entirety, and we would enjoy hearing a summary from you.

**STATEMENT OF THE HON. BOB NEY, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF OHIO**

Mr. NEY. Thank you, Mr. Chairman. This is important. I came away from a meeting with constituents to be here, too, and so important, if I was with contributors, I would also be here and break away from that meeting, anything to get here.

Let me just say on a serious note, it is an issue that its time has come for a vote, and I would also personally from my point of view just say we ought to vote the thing, and I like your resolution. We ought to just vote. We are going to have a 2-year budget or not. Having hearings and having the States' input on what worked and didn't work is fine. We I think feel internally, know what they feel about the biennial budget, and they should cast their votes in due direction.

I was chairman of Senate Appropriations Committee in Ohio. Twenty years ago I was elected to the Ohio House and was the first freshman in 32 years to serve on Approps at that time in the Ohio House, went on to chair Senate Appropriations Committee. So I have been in the throes of biennial budgets all those years. Ohio has no intention to overturn ours.

I know you know all the arguments. I just want to make a couple points, and I used to be a bureaucrat. So I can say this. I worked for the State of Ohio on a couple of occasions as a bureaucrat, and we have got a lot of good Federal and State workers. However, they are not dumb, and a lot of people run over here and tell Members of Congress, wow, you wouldn't believe how we fear you during a budget cycle, if you went to a 2-year budget we would get away with a lot of stuff, and that is kind of a lot of nonsense when they feed that to Members.

You know as a Member of Congress and I know these schedules. They are far more intense than when I was in the State legislature, and your staff schedules are intense. So you spend the entire year spinning your wheels, you do it the next time, and it just consumes all of your time. Now, if you make the argument, well, in the second year, you know, they can do what they want, that is not true. You have got better budgeting and all of these arguments. In the second year you have the power of the gavel. If there is something going wrong, it is called a budget corrections bill. If you want

to really stir them up and correct anything, you can do it in the second year.

The other point I wanted to make I guess, too, the biennial budget has nothing to do with whether we spend more money or less. Creating a biennial budget I will tell you doesn't mean necessarily we can tell you we will spend more or less money. That is a decision of the Members of Congress, and it is a vote, and there are a lot of factors that come into play.

I think for the good of the institution, to free up true oversight, to really dig in the next year into the bowels of the government to find out how it works and to have the time, that is the key issue, not the time to relax, the time to do our job and really dig into the government in a constructive way, not necessarily always a negative way, and see how the agencies can work better. It gives them more time and us more time.

So I fully support any efforts. I think it is good for our country and good for the institution.

[The prepared statement of Mr. Ney follows:]

**Statement of Congressman Robert W. Ney (R-OH)**

Mr. Chairman, I would like to thank you for the opportunity to offer my testimony before your committee on the implementation of a biennial budget process.

As a former state legislator from the state of Ohio and former chairman of the Appropriations Committee in the Ohio Senate, I come before you today to extol the virtues of a biennial budget process. I have seen first-hand how biennial budgeting improves public policy and the efficiency of government. Having served in Congress for nearly three full terms, it has become apparent to me that reforming our budget process in such a way is an important part of changing the way we conduct business on Capitol Hill.

I do not have to go into any detail today about the grueling budget and appropriations season we face each year in Washington. It seems as though that each time Congress concludes its obligatory annual funding of our government, we turn right around and begin the process all over again, leaving little time to conduct any of our oversight responsibilities, let alone consider any of the major policy issues we must address. In turn, we do not give our federal agencies the opportunity to implement the legislation we have passed or efficiently administer the programs we have funded.

I believe the advantages of such a system are numerous and apparent. The greatest benefit that a biennial budget offers is improved efficiency within the federal government. As I have stated previously, a two year budget cycle will give Congress the opportunity to be more responsible for the programs it funds by allowing us to conduct the critical oversight necessary to finding and reducing any government waste that exists. In those "off" years, when we are not debating a budget, Congress can look deep into the bowels of government and evaluate how we can best improve the programs and services offered or cut the duplicative or unnecessary ones that exist.

Federal agencies will be able to do the same, evaluating how to better administer the programs for which they are responsible. Agencies will have more time to appraise the performance of their programs and services and assess their ability to administer them properly and efficiently. If we can reduce the time, energy and money these agencies spend preparing for the budget process, more time can be spent increasing efficiency and eliminating waste.

Furthermore, the benefits of a biennial budget will greatly affect the people who depend most on a reliable and efficient government – our constituents. Millions of individuals, as well as thousands of local governments and organizations, depend on federal funding for their individual concerns or community interests. Mr. Chairman, like you, I believe we can implement a system that will give our communities more confidence in planning their programs while still efficiently and effectively servicing the needs of the people we represent.

Although I am aware that biennial budgeting will not solve all of the problems of waste and efficiency within our government, I do believe that it is an important step we should take. And I know I am not alone. Your Resolution, Mr. Chairman, H. Res 396, currently has 244 co-sponsors and enjoys broad bi-partisan support, as it should. This is not a partisan issue. Leaders of both parties as well as experts in public policy support this initiative. It makes sense and will provide real and positive change to our current system.

I applaud you in your efforts to implement a two-year budget cycle and offer my support to you in making this initiative a reality. Thank you again, for the opportunity to testify before your committee today.

The CHAIRMAN. Well, thank you very much, Bob. I appreciate that and appreciate your Ohio experience coming here.

The only thing I will say on your issue of just going right to the floor with a vote, there were some issues and concerns raised by a number of people who have been opponents. I want to do everything that we can to address those concerns if possible, and there may be some modifications that could be made in legislation that we would bring forward that could again assuage some of those issues that have been raised by them, and that is part of the deliberative nature of this institution. We don't plan to immediately go to the floor for a vote.

What we plan to do is—and we have spent years on this, that is basically what we are here to do. We are supposed to spend time thinking about these things and plan to get as much input as possible, but the resolution to which you referred, which you joined as a cosponsor of, and again, the Speaker, had we 250 cosponsors, I am happy to say, called for us to act in the second session of the 106th Congress, which means in calendar year 2000, and it is my hope we will be able to act within this calendar year on this issue.

So we appreciate your thoughts and your time and input.

Mr. NEY. Mr. Chairman, I would note if I could that your approach is the better approach and the correct approach by the way. It is just that you are much more patient than I am.

The CHAIRMAN. Well, it has taken me a while to get patient. I will tell you one little story. There are often times that I get to be impatient and frustrated, and I live behind the Supreme Court, and when I walk across the East Front coming in here, I look up at the Capitol dome getting ready to damn a colleague in the other body or maybe even one who serves in the House, although not as often as those in the other body, and I get—

Mr. NEY. Never a staffer of course.

The CHAIRMAN. No, no, they are damning me is the way that works, but the thing that I think of when I look at the dome is that this is exactly what James Madison, the father of the Constitution and the first branch of government, this institution, envisaged for us, and he wanted it to be a process which was very, very tough. Fleeing the tyranny of King George, as we all know, was in part to make sure that no single person got total power, and so that is why it is working, and that is what has made me a little more patient. Thank you very much.

I don't see any more witnesses here. I have a statement, there is nobody here to object to my putting in Ms. Pryce's statement in the record, and I have got two very important charts here which talk about supplemental appropriations and continuing resolutions. Without objection, I would like both of those to appear in the record, and our plan is to proceed after the Presidents Day recess with another hearing, which will consist of representatives from the executive branch and several others, and we might even entertain some other Members of Congress then at that hearing, too.

So anything else? Oh yes, and I am to state that the record is to remain open for colleagues of ours who might want to enter something into the record, and with that, since I have been informed votes will end by 3:00 o'clock today, virtually everyone is

going to leave town. So have a wonderful Presidents Day break,  
and the committee stands adjourned.  
[Statements submitted for the record:]



**Statement of Congressman Michael N. Castle (R-DE)**

I thank and applaud the Rules Committee for continuing to focus on the problems and answers associated with budget process reform. Our ability to maintain budget surpluses, provide tax relief, restore the social security trust fund and reduce the overall size and scope of the federal government is directly linked to a credible and responsible budget and appropriations process.

The federal budget is in remarkably good shape despite some continued bad budget practices in 1999 by both the President and Congress. We've eliminated budget deficits that plagued us for long, but now, if we focus on the budget process, we can do even better.

One of the problems that we face in the House of Representatives is that, unfortunately, **the federal budget process is still broken.** As far back as 1993, the institutional problems with the current process were best described by the Joint Committee on the Organization of Congress. "The annual appropriations process is cumbersome and time consuming. Annual appropriation bills are considered under major time constraints in the hope of completing action by the start of the fiscal year. For agencies, the annual appropriations process requires a never-ending round of hearings, markup sessions, conference reports and planning for the next year's round of hearings", it wrote.

Congress has a clear constitutional responsibility to conduct oversight to improve the efficiency, economy and effectiveness of governmental operations and programs. The fact is, the annual appropriations process is so time consuming, that the authorization process, where most programmatic oversight is conducted, has been neglected and is short- changed.

Congress now is clearly spending too much time engaged in partisan fighting for much of the year over spending increases. For Much of 1999, Congress delayed action on bills that included largest programs - Labor, HHS, Education, and Commerce, Justice, State. This allowed Congress to say it was not exceeding the spending limits set in 1997.

It is also not able to pass 13 separate appropriations bills on time, and to reconcile differences between Congress and President. As a result, omnibus bills are the product we end up with. This year the omnibus, included a total of five bills (D.C., Commerce-Justice-State, Interior, Labor-HHS and Foreign Operations) that totaled \$151 billion. This needn't be the case.

Including biennial budgeting as a prime component of my five-point plan on how to change the way the federal government budgets and keep fiscal responsibility in check, I have identified other areas we can improve.

**A. ESTABLISH A TWO YEAR APPROPRIATIONS STRATEGY:**

- Lessen opportunities for fiscal irresponsibility;
- Reduce partisan wrangling;
- Increase congress' lack of coordinated oversight responsibility that is often neglected
- Allow congress to focus on other important domestic priorities like education and health care
- This is especially important in a year like this one where there are only 100 legislative days and the House, Senate and Presidency are all up for election.
- In off years, congress would be able to review how funds are actually spent and make more informed decisions

**B. RETIRING FEDERAL DEBT TO STRENGTHEN ECONOMY**

- The current public debt is roughly \$3.7 trillion and reflects the government's borrowing from the private sector (i.e. from banks, pension plans, private bondholders, etc.)
- Changes in public debt have important economic implications -- affecting interest rates, private-sector investment, national saving and economic growth.
- In the past three years, the federal government has paid down the national debt by \$300 billion and Congress will pay down \$131 billion this fiscal year.
- By retiring debt, the federal government is leaving more money in the economy to enable businesses to invest and grow.
- Speaker Hastert has committed himself and the Republican Congress to off the public debt by 2015. I strongly support this plan and would like to work with the Speaker to accomplish it.

**C. BRING PRESIDENT INTO BUDGET PROCESS EARLY IN THE YEAR**

- Making budget resolutions concurrent would force Congress and President to agree on budget totals early in the year and allow work to be completed earlier.
- This way the partisan bickering would be ended up front and the authorization and appropriations processes would go a lot smoother- all parties would have a stake in getting the budget done on time.

**D. SET ASIDE EXTRA FUNDS IN A BUDGET RESERVE ACCOUNT**

- Establish a budget reserve account, like states' rainy day funds that would include possible emergency spending dollars in the budget.
- Funds for natural disasters and military emergencies would be available when needed without having to resort to other budget gimmicks.

**E. ELIMINATE FUNDING DECEPTIONS**

- Congress and President must eliminate creative use of accounting gimmicks to disguise what is actually being spent:
  1. Forward funding -- borrowing from the next fiscal year to pay for programs in this fiscal year.
  2. 13 month fiscal years -- extending the fiscal year one month to make the budget numbers work out...
  3. Declaration of emergencies: we have to stop using the "Emergency" designation as a way to spend more money like we have in the past. Last year, funding for the census was declared an emergency, clearly an abuse of the budget process.

If we follow this five point plan, we should stay on a fiscal responsible track. We will maintain a balanced budget, provide more than adequate funding for programs like defense and education, allow us to consider affordable tax cuts, and promote programmatic oversight by authorizing committees, and provide Congress with more time to do the job right. If implemented correctly, the process of moving to biennial budgeting can promote a more effective and efficient government, a less chaotic budget process, and ultimately more faith in our constituent's belief that the Congress can properly manage our nation's budget the best way possible. I look forward to continuing to help the bipartisan push towards forwarding and ultimately implementing biennial budgeting.

## Statement of Congressman John M. Spratt, Jr. (D-SC)

Mr. Chairman, I appreciate the opportunity to submit testimony to the Committee expressing my opposition to the proposal to switch from annual to biennial budgeting. The major arguments for biennial budgeting are that Congress need not consider the federal budget annually, and that its annual consideration of budget matters interferes with its oversight of the executive branch. I disagree with both those arguments, for reasons I'll explain.

Authorizing committees are not hindered in conducting agency oversight. Authorizing committees can be as involved with the details of program implementation and the oversight of their agencies as they wish. The Armed Services Committee, on which I serve, takes a far more active role each year than some committees. I do not feel that we are unduly hampered by the fact that some floor time is annually devoted to budget resolutions and appropriations bills. We have the floor time and the committee meeting time that we need.

The appropriations process constitutes oversight. In addition, the Appropriations Committee uses the annual bills to make sure that agencies implement the law — both appropriations and authorization law — the way Congress intends. The appropriations process starts with detailed annual consideration, in which agency budgets, needs, and performance are reviewed line by line. This annual review is made more potent by that fact that Appropriations controls the purse strings. Under biennial budgeting, off-year oversight would likely be less intense and systematic, and would certainly have less teeth. Oversight likely would be weakened, not strengthened, by biennial budgeting. It seems ironic to disengage an effective and tenacious watchdog, the Appropriations Committee, in the name of greater oversight.

Face up to budgetary problems. During periods of budgetary difficulty, as when the deficit got out of hand after the big tax cuts of 1981, the annual congressional budget process forced Congress to grapple with the unpleasant reality of a growing structural deficit. During that period, Congress made annual attempts to reduce or eliminate the structural deficit by altering federal spending programs and federal revenue law. Often we succeeded in enacting deficit reduction measures, some big, some small.

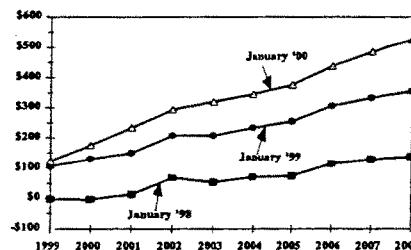
Don't lock in policy mistakes. While budget estimates and policy needs may change slowly from year to year, they may change very quickly. For example, from the time President Reagan submitted his first budget in 1981 to the time he submitted his second in 1982, his administration went from projecting an imminent balanced budget to projecting huge and growing deficits. In Reagan's second year, Congress and the President agreed to substantially scale back the phased-in tax cuts that had just been enacted but had not yet gone into effect. History suggests that it is harder to scale back spending increases or tax cuts after they have gone into effect.

Be wary of changing short-term projections. A review of CBO's annual projections for ten years shows that the absolute error for the first year of a biennium is fairly high; actual surpluses or deficits one year out were an average of \$85 billion different from what had been projected. The error in CBO's projection for the second year of the biennium was far larger; the average absolute error was \$132 billion. This fact suggests that designing budgets for a biennium increases the risk of results far different from what Congress expects.

Be wary of changing long-term projections. In January of 1998, CBO projected a total budget surplus of \$660 billion over the ten-year period 1999-2008 if Congress adhered to the caps on appropriated spending. In January 1999, CBO improved its surplus estimate for the same ten-year period to \$2.3 trillion. And in January of this year, CBO further improved its surplus for the same ten-year period to \$3.3 trillion. With long-term estimates this volatile, it seems unlikely that Congress can or should prepare budgets on the basis of forecasts even one-year out of date, much less two.

Learn from our own budgeting experience. Perhaps because of rapidly changing projections, the Senate budget resolution for FY 1999 called for zero net tax cuts over five years and rigid adherence to the discretionary caps, followed by a multi-year freeze. The Senate budget resolution for FY 2000, in contrast,

**Projections Can Change Rapidly**  
CBO "capped" baselines



called for deep tax cuts over five years, and even deeper ones over ten. Now we read that the Senate budget resolution for FY 2001 will call for major tax cuts but will bow to reality and stop pretending that Congress will follow caps and multi-year freezes.

The point is that experienced budgeteers created highly different plans three years in succession. They did this, I suspect, because of rapidly changing estimates and rapidly changing budget issues. In situations like this, biennial budgeting, were it actually adhered to, would leave the budget far behind both the changing estimates and the changing policy concerns of the public.

Be responsive to the electorate. Most biennial budget proposals, including the one described by the Rules Committee in anticipation of this hearing, require that we put together federal budgets only in the odd numbered years. Experience suggests that we are more responsive to our constituents during election years. For better or worse, we should be willing to vote on tax cuts, on health care reforms, on education funding, and on other matters during election years. We shouldn't design a system that takes us a step farther away from the people we represent.

Face up to our responsibilities. Proposals for biennial budgeting may imply that budgeting is something we should try to avoid, to the extent possible. But this premise is wrong; budgeting is a key element of our job, and we should not try to shirk it.

Current law allows biennial budgeting – let's experiment. There is nothing in current law that prohibits the President from requesting two years of appropriations at a time rather than one, nor is there anything that prevents Congress from granting that request or appropriating biennially on its own. Even budget resolutions could be biennial without any change in law. If the House and Senate Leadership had wished us to budget only in odd numbered years, they could have reached a Leadership agreement to do so last year, or three years ago, and tried biennial budgeting as an experiment before locking it into law as a requirement.

**Statement of Congressman Bill Luther (D-MN)**

Mr. Chairman, thank you for inviting me to this hearing.

As I mentioned at the press conference introducing this initiative two weeks ago, one important group of beneficiaries of a biennial federal budget would be state and local governments. Before coming to Congress five years ago, I spent 20 years in the Minnesota State Legislature. Minnesota uses a biennial budget. As any legislator who has worked on a biennial budget can tell you, budgeting for two years is a more efficient and more thoughtful process for everyone involved. If we had a biennial budget at the federal level, states and localities that depend on federal funds could better plan for the long term, and officials at those levels of government could be more efficient and cost-effective in their management of taxpayer dollars.

In this regard, there is one particular point that needs emphasis. In my judgment, a biennial budget process would make it easier for legislators to make difficult budget cuts. Due to the initial closing costs associated with eliminating programs in a one-year budget cycle, I believe it's easy for many legislators to simply keep funding these programs. After all, very little will be saved in just one year. Under a biennial budget, it is much easier to project the long term cost savings associated with shutting down inefficient or unnecessary layers of government. Today, 20 state legislatures, including Minnesota's, use the biennial budget cycle. Legislators in these states understand the importance of projecting cost savings into the out years. The time has come for Congress to benefit from the biennial budget process in the same way.

No responsible business or family would want to manage its finances the way Congress does today. It is about time we institute much more long term thinking in the budget process. Mr. Chairman, I want to thank you and the other members of the Rules Committee again for inviting me to speak today.

[Whereupon, at 1:25 p.m., the committee was adjourned.]

## BIENNIAL BUDGETING: A TOOL FOR IMPROVING GOVERNMENT FISCAL MANAGEMENT AND OVERSIGHT

Friday, March 10, 2000

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON RULES,  
*Washington, D.C.*

The committee met, pursuant to call, at 9:30 a.m. in Room H-313, The Capitol, Hon. David Dreier [chairman of the committee] presiding.

Present: Representatives Dreier, Goss, Linder, Sessions, and Moakley.

The CHAIRMAN. The hearing will come to order.

This is the second of three hearings being held by the Rules Committee to examine various proposals for establishing a 2-year budget and appropriations cycle. On February 16th we heard from 16 of our colleagues. It was a long day in the House. We began with the Speaker of the House, Mr. Hastert, and the chairmen and ranking minority members of the Appropriations Committee.

This morning we will be hearing the perspectives of the executive branch and congressional support agencies.

Our final hearing, which is going to be next Thursday, the committee will receive testimony from our former colleague Mr. Hamilton, from the former—your predecessor, Mr. Lew, Leon Panetta, and our former colleague, members of academia and representatives of budget reform organizations, State legislatures, and the U.S. Chamber of Commerce. Sounds like another lengthy hearing.

The prepared statements of our witnesses, along with the transcripts of the hearing can be found on the Rules Committee Web site at [www.house.gov/rules](http://www.house.gov/rules). This hearing can also be heard live—you want to hear the Web site again?

Mr. MOAKLEY. I will be looking at it.

The CHAIRMAN. Good. This hearing can also be heard live on the Internet by going to our Web site.

Anyone who follows budget process issues is aware of the fact that at the end of the last session of Congress a bipartisan group of 245 House Members joined in introducing a resolution calling for the enactment of a biennial budget process in the second session of the 106th Congress. As we move forward with this process, our goal is to gather all of the technical expertise possible to develop consensus legislation that will be successful in streamlining the budget process, enhancing programmatic oversight and strengthening the management of government programs and bureaucracies.

As I mentioned, in our first hearing on February 16, we heard from Speaker Hastert, who called on us to work with the House Budget Committee and with the Senate in a bipartisan fashion to produce a biennial budget package for the House to consider this year. Appropriations Committee Chairman Bill Young said this was a good time to look at implementing a biennial budget process, but urged us not to load up any legislation with other controversial budget process proposals.

We also heard from a number of opponents of biennial budgeting, such as our colleague, David Obey. He raised concerns that biennial budgeting will undermine Congress' congressional responsibilities, increase the size and number of supplemental appropriations and lock Congress into policy decisions that will need to be changed as a result of changing circumstances.

I happen to believe the case for biennial budgeting is overwhelming. While not a panacea, I believe it will enhance government's fiscal management, programmatic oversight, budget stability and predictability, and government cost-effectiveness.

To get a perspective from the executive branch and congressional support agencies, I am pleased to welcome OMB Director Jack Lew. We are going to be hearing from Congressional Budget Office Director Dan Crippen; General Accounting Office Associate Director Sue Irving; and CRS Specialist Lou Fisher.

So we are very pleased to welcome you, Mr. Lew. This is, I guess, your first appearance before the Rules Committee, and it is very rare that we have anyone other than our colleagues testify before the Rules Committee, but we do occasionally have hearings. The subcommittee holds hearings. We are pleased to welcome you here, and I would like to call on Mr. Moakley.

[The prepared statement of Chairman Dreier follows:]



**Statement of Congressman David Dreier,  
Chairman, Committee on Rules**

The hearing will come to order. This is the second of three hearings being held by the Rules Committee to examine various proposals for establishing a two-year budget and appropriations cycle.

On February 16, we heard from 16 of our colleagues in the House, including Speaker Dennis Hastert and the Chairman and Ranking Minority Member of the Appropriations Committee. This morning we will hear the perspectives of the executive branch and congressional support agencies. At our final hearing next Thursday, the Committee will receive testimony from former Congressman Lee Hamilton, former OMB Director Leon Panetta, members of academia, and representatives of budget reform organizations, state legislatures and the U.S. Chamber of Commerce.

The prepared statements of our witnesses along with the transcripts of the hearings can be found on the Rules Committee's web site at [www.house.gov/rules](http://www.house.gov/rules). This hearing can also be heard live on the Internet by going to our web site.

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I happen to believe the case for biennial budgeting is overwhelming. While not a panacea, I believe it will improve government fiscal management, programmatic oversight, budget stability and predictability, and government cost effectiveness.

To hear the perspectives of the executive branch and congressional support agencies, I am pleased to welcome OMB Director Jack Lew, Congressional Budget Office Director Dan Crippen, General Accounting Office Associate Director Sue Irving, and CRS Specialist Lou Fisher.

Mr. MOAKLEY. Oh, thank you.

The CHAIRMAN. I was getting ready to call on you.

Mr. MOAKLEY. You have overlooked me so many times.

The CHAIRMAN. I have never overlooked you, Mr. Moakley. It is impossible. So before I call on you, Mr. Lew, I am going to call on Mr. Moakley in case you were wondering.

Mr. MOAKLEY. Mr. Chairman, I really want to thank you for continuing these hearings on the biennial budgeting.

Although I certainly like the idea of spending less time on the budget, I am skeptical it would actually happen. I believe we would spend a great deal of time in the off year revising the budget resolution and passing more supplementals than we do. But, for the sake of argument, let us suppose we would spend only half as much time on budget-related legislation. Is that really a good thing?

It appeals to Members because agreeing on a budget and working out the appropriation bills are among the hardest and most contentious work we do each year. Each of us has a different set of priorities, which is why agreeing on a budget always involves making very painful choices. The only way these measures get passed at all is by everybody making compromises. In the end, no one is completely satisfied with the final result. It has been that way every year since the first Congress met back in 1789.

So it is very tempting to think we might be able to skip a year of making these hard choices, but it is our constitutional responsibility to make these hard choices. We are paid to make decisions about taxing, about spending; and we cannot, at least we should not, delegate our duties in the off year to a control board, as Ohio or some other biennial States do, nor should we expect other unelected executive branch bureaucrats to set fiscal policy for the Nation every other year just for the convenience of our avoiding hard work.

I have not heard any Member actually make the case for a biennial budget based on the possibility of avoiding hard work, but I sincerely believe this is what makes the idea initially appealing.

The argument that we hear is based on the amount of time devoted to the budget. We are told that the Congress spends so much time on budget-related measures year after year, it crowds out the opportunity to conduct oversight hearings and enact authorization bills.

Mr. Chairman, that absolutely is not true.

I asked the Congressional Research Service, Mr. Chairman, just what proportion of floor time is devoted to budget-related legislation. They counted all the hours spent on all the budget resolutions, all the appropriation bills, reconciliation and tax measures, conference reports and all other related rules and motions. They looked at each session from 1991 through 1998. In most years—5 out of the 8—we spent less than one-fifth of our time on budget-related measures. The most contentious year, 1995, the year of the shutdown, we still spent less than one-third of our time on the budget.

If four-fifths of the time we nominally are in session is not enough time to do other legislation, I think there is something wrong with us. It is not with the process.

I think that CRS' memorandum ought to be placed in the record. I have it here, Mr. Chairman.

So, Mr. Chairman, although the idea of biennial budgeting certainly warrants further study, I have to say I don't think it will turn out to warrant the hoopla. It is Congress' job to come up with the budget no matter how ugly the process, and delegating that responsibility every other year to Federal bureaucrats is not what our constituents had in mind when they sent us here.

We have the time to do it. We just lack probably some of the inclination. Thank you.

[The prepared statement of Mr. Moakley follows:]

**Statement of Congressman John Joseph Moakley,  
Ranking Member, Committee on Rules**

Mr. Chairman, I want to thank you for continuing these hearings on biennial budgeting.

Although I certainly like the idea of spending less time on the budget, I'm skeptical that would actually happen. I believe we would spend a good bit of time in the off-year, revising the budget resolution and passing more supplementals than we do now. But, for the sake of argument, let us suppose we'd spend only half as much time on budget-related legislation. Is that a good thing?

It appeals to members because agreeing on a budget and working out the appropriations bills are among the hardest, most contentious work we do each year. Each of us has a different set of priorities which is why agreeing on a budget always involves making painful choices. The only way these measures get passed at all is by everyone making compromises. In the end, no one is completely satisfied with the final result. And it's been that way ever since the first congress met in 1789.

It is certainly tempting to think we might be able to skip a year of making hard choices.

But my mother always told me, if something looks too good to be true, it probably is.

It's our constitutional responsibility to make the hard choices. We are paid to make decisions about taxes and spending. We can not - or at least we should not - delegate our duties in the off-year to a control board (as Ohio and some other biennial states do). Nor should we expect unelected executive branch bureaucrats to set fiscal policy for the nation every other year just for the convenience of our avoiding hard work.

The other argument for biennial we most often hear is based how much time is devoted to the budget. We are told that congress spends so much time on budget-related measures, year after year. It crowds out the opportunity to conduct oversight hearings and enact authorization bills.

Mr. Chairman, that is not true.

I asked the congressional research service to determine just what proportion of floor time is devoted to budget-related legislation. They counted the hours spent on all budget resolutions, appropriations bills, reconciliation and tax measures, conference reports and all related rules and motions. They looked at each session from 1991 through 1998. Most years (5 out of 8) we spend less than 1/5 of our time on budget-related measures. The most contentious year, 1995, the year of the shutdown, we still spent less than 1/3 of our time on the budget.

If 4/5 of the time we are normally in session is not enough time to do other legislation, there is something wrong with us, not with the process.

I ask that the CRS memorandum be placed in the record.

So, Mr. Chairman, although the idea of biennial budgeting certainly warrants further study -- I have to say, I don't think it will turn out to warrant the hoopla.

It is congress's job to come up with a budget, no matter how ugly the process. And delegating that responsibility every other year to federal bureaucrats is not what our constituents had in mind when they sent us here. We have the time to do it, we just lack some of the inclination.

Thank you.

The CHAIRMAN. Without objection, you want this article in the record?

Mr. MOAKLEY. I want to frame it and put it on the walls.  
[The information follows:]



Congressional Research Service • Library of Congress • Washington, D.C. 20540

### ***Memorandum***

March 9, 2000

TO : The Honorable John J. Moakley

FROM : Paul S. Rundquist and Faye M. Bullock  
Government and Finance Division

SUBJECT : Estimated Hours Spent Considering Appropriation, Budget, Reconciliation  
and Major Tax Bills on the House Floor, 101<sup>st</sup> - 105<sup>th</sup> Congresses

This memorandum responds to your request for hours spent considering appropriations, reconciliation, budget, and major tax-related bills on the House floor, during the 101<sup>st</sup> - 105<sup>th</sup> Congresses.

The accompanying tables reflect the estimated hours and minutes spent on each relevant bill and includes bill titles and numbers. The *Congressional Record* was used to approximate hours/minutes of consideration, using the time stamps as reference points. Please note that time recorded for each bill includes time devoted to action on related special rules and on ancillary motions. The annual final editions of the *Calendars of the House of Representatives* were used to identify appropriations, budget and reconciliation measures, and major tax legislation was identified by relevant CRS tax specialists. Total hours in session are taken from annual House activity data published in the Daily Digest of the *Congressional Record*.

It is important to recognize eight of our colleagues who were instrumental in compiling these statistics. They are: Mildred Amer, Richard Beth, Daphne Bigger, John Pontius, Richard Sachs, James Satumo, Sandy Streeter, and Lorraine Tong. Should you require additional information, please feel free to contact us at 7-5802 (Faye Bullock), or 7-6939 (Paul Rundquist).

**Table 1. Summary Aggregate Data**

Year	Aggregate Annual Time (HR:MN)	Hours House in Session	Percentage of Hours Spent Considering Identified Measures vs. Total Hours in Session
1991	156:20	938:34	16.7%
1992	142:20	856:58	16.6%
1993	216:44	981:55	22.1 %
1994	135:40	904:46	15.0 %
1995	485:39	1525:25	31.8%
1996	162:03	919:12	17.6%
1997	239:00	1003:42	23.8%
1998	188:35	997:42	18.9%

Table 2. 1991 Measures

Congress: 102 <sup>nd</sup>	Session: 1 <sup>st</sup>	Year: 1991
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Dire Emergency Supplemental, FY1991	H.R. 1281	10:45
Supplemental, FY1991, Desert Shield/Desert Storm	H.R. 1282	1:55
Dire Emergency Supplemental, FY1991, Refugee Assistance, Iraq	H.R. 2251	2:05
Military Construction, FY1992	H.R. 2426	2:35
Energy and Water, FY1992	H.R. 2427	10:30
Legislative Branch, FY1992	H.R. 2506	6:15
VA, HUD, FY1992	H.R. 2519	15:20
Defense, FY1992	H.R. 2521	4:50
Commerce, Justice, State, FY1992	H.R. 2608	10:30
Foreign Assistance, FY1992	H.R. 2621	2:50
Treasury, Postal, FY1992	H.R. 2622	11:10
Interior, FY1992	H.R. 2686	15:30
Agriculture, FY1992	H.R. 2698	3:20
District of Columbia, FY1992	H.R. 2699	:10
Labor, HHS, FY1992	H.R. 2707	12:00
Transportation, FY1992	H.R. 2942	9:45
District of Columbia, FY1992	H.R. 3291	4:40
Dire Emergency Supplemental, FY1992	H.R. 3543	9:30
Labor, HHS, FY1992	H.R. 3839	3:20
Dire Emergency Supplemental, FY1992, Desert Shield Storm	H.J.Res. 157	2:25
Continuing, FY1992	H.J.Res. 332	:20
Continuing, Further, FY1992	H.J.Res. 360	:50
Continuing, Further, FY1992	H.J.Res. 374	:10
Budget Resolution, FY1992	H.Con.Res. 121	15:35
Total Time		156:20



Table 3. 1992 Measures

Congress: 102 <sup>nd</sup>	Session: 2 <sup>nd</sup>	Year: 1992
Bill Name	Bill Number	Approximate Amount of Time spent on House Floor (HR:MN)
Dire Emergency Supplemental Appropriations	H.R. 5132	5:00
Supplemental Appropriations, 1999	H.R. 5620	8:00
Rescission	H.R. 4990	5:00
Agriculture, FY1993	H.R. 5487	12:10
Commerce, Justice, State, FY1993	H.R. 5678	7:40
Defense, FY1993	H.R. 5504	5:10
District of Columbia, FY1993	H.R. 5517	4:30
Energy and Water, FY1993	H.R. 5373	12:55
Foreign Operations, FY1993	H.R. 5368	10:10
Interior, FY1993	H.R. 5503	12:50
Labor, HHS, FY1993	H.R. 5677	5:00
Legislative, FY1993	H.R. 5427	9:30
Military Construction, FY1993	H.R. 5428	4:40
Transportation, FY1993	H.R. 5518	10:25
Treasury, Postal, FY1993	H.R. 5488	10:20
VA, HUD, FY1993	H.R. 5679	16:40
Continuing, FY1992	H.R. 5586	4:00
Budget Resolution, FY1993	H.Con.Res. 287	18:20
Tax Bill	H.R. 11	1:50
Tax Bill	H.R. 4210	15:45
Total Time		142:20

Table 4. 1993 Measures

Congress: 103 <sup>rd</sup>	Session: 1 <sup>st</sup>	Year: 1993
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Agriculture, FY1994	H.R. 2493	14:25
Commerce, State, Justice, FY1994	H.R. 2519	16:40
Defense, FY1994	H.R. 3116	5:45
District of Columbia, FY1994	H.R. 2492	8:35
Energy and Water, FY1994	H.R. 2445	14:15
Foreign Assistance, FY1994	H.R. 2295	8:10
Interior, FY1994	H.R. 2520	19:15
Labor, HHS, FY1994	H.R. 2518	7:40
Legislative Branch, FY1994	H.R. 2348	9:10
Military Construction, FY1994	H.R. 2446	1:30
Transportation, FY1994	H.R. 2750	17:05
Treasury, Postal, FY1994	H.R. 2403	9:25
VA, HUD, FY1994	H.R. 2491	20:45
Budget Resolution, FY1994	H.Con.Res. 64	8:15
Budget Reconciliation	H.R. 2264	16:25
Debt Limit	H.R. 1430	3:10
Economic Stimulus Supplemental, FY1993	H.R. 1335	5:20
Supplemental, FY1993	H.R. 2118	8:25
Second Supplemental, FY1993	H.R. 2244	12:11
Emergency Supplemental, FY1993	H.R. 2667	7:30
Continuing Resolution, FY1994	H.J.Res. 267	:50
Continuing, Further, FY1994	H.J.Res. 281	:30
Continuing, Further, FY1994	H.J.Res. 283	1:10
Total Time		216:44

Table 5. 1994 Measures

Congress: 103 <sup>rd</sup>	Session: 2 <sup>nd</sup>	Year: 1994
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Emergency Supplemental, FY1994	H.R. 3759	9:40
Foreign Assistance, FY1995	H.R. 4426	9:40
Military Construction, FY1995	H.R. 4453	1:45
Legislative Branch, FY1995	H.R. 4454	6:30
Energy and Water, FY1995	H.R. 4506	7:45
Treasury, Postal, FY1995	H.R. 4539	6:35
Agriculture, FY1995	H.R. 4554	7:20
Transportation, FY1995	H.R. 4556	9:50
HUD, Supplemental, FY1994	H.R. 4568	:45
Interior, FY1995	H.R. 4602	14:20
Commerce, Justice, State, FY1995	H.R. 4603	14:20
Labor, HHS, FY1995	H.R. 4606	13:00
VA, HUD, FY1995	H.R. 4624	12:30
District of Columbia, FY1995	H.R. 4649	3:10
Defense, FY1995	H.R. 4650	2:20
Budget Resolution	H.Con.Res. 218	16:10
Total Time		<del>135</del> :40

Table 6. 1995 Measures

Congress: 104 <sup>th</sup>	Session: 1 <sup>st</sup>	Year: 1995
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Military Construction, FY1996	H.R. 1817	14:15
Legislative Branch, FY1996	H.R. 1854	14:00
Foreign Operations, FY1996	H.R. 1868	40:15
Energy and Water, FY1996	H.R. 1905	23:45
Interior, FY1996	H.R. 1977	38:30
Agriculture, FY1996	H.R. 1976	27:00
Treasury, FY1996	H.R. 2020	18:45
Transportation, FY1996	H.R. 2002	15:00
Commerce, Justice, State, FY1996	H.R. 2076	22:30
VA, HUD, Independent Agencies, FY1996	H.R. 2009	26:45
Defense, FY1996	H.R. 2126	12:30
Labor, HHS, FY1996	H.R. 2127	29:30
District of Columbia, FY1996	H.R. 2546	12:15
Budget Resolution, FY1996	H.Con.Res. 67	20:44
Reconciliation, FY1996	H.Con. Res. 22	4:33
Debt Ceiling, FY1996	H.R. 2491	19:28
Debt Ceiling	H.R. 2586	5:52
Debt Limit/Social Security Trust Fund	H.R. 2621	4:04
Amend Internal Revenue Code	H.R. 831	7:30
Emergency Supplemental, DOD, FY1995	H.R. 889	6:54
Emergency Supplemental, Disaster Assistance, FY1995	H.R. 1158	18:47
Emergency Supplemental, Disaster Assistance, FY1995	H.R. 1944	4:20
Legislative Branch, FY1996	H.R. 2492	2:40
District of Columbia, FY1996	H.R. 2546	8:39
Continuing, FY1996	H.J.Res. 108	:43
Further Continuing, FY1996	H.J.Res. 115	6:15

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Congress: 104 <sup>th</sup>	Session: 1 <sup>st</sup>	Year: 1995
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Further Continuing, FY1996	H.J.Res. 122	5:26
Further Continuing, FY1996	H.J.Res. 123	:45
Further Continuing, FY1996	H.J.Res. 134	5:44
Further Continuing, FY1996	H.J.Res. 136	1:15
Total Time		485:39

Table 7. 1996 Measures

Congress: 104 <sup>th</sup>	Session: 2 <sup>nd</sup>	Year: 1996
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
District of Columbia, FY1996	H.R. 2546	1:25
Continuing further, FY1996	H.R. 2880	2:00
Omnibus Consolidated Appropriations	H.R. 4278	1:15
Military Construction, FY1997	H.R. 3517	2:45
Foreign Assistance, FY1997	H.R. 3540	11:00
Agriculture, FY1997	H.R. 3603	10:00
Defense, FY1997	H.R. 3610	4:15
Interior, FY1997	H.R. 3662	15:45
VA, HUD, FY1997	H.R. 3666	19:45
Transportation, FY1997	H.R. 3675	4:00
Legislative Branch, FY1997	H.R. 3754	4:15
Labor, HHS, FY1997	H.R. 3755	26:30
Treasury, Postal, FY1997	H.R. 3756	3:15
Commerce, Justice, State, FY1997	H.R. 3814	8:30
Energy and Water, FY1997	H.R. 3816	5:30
District of Columbia, FY1997	H.R. 3845	2:30
Omnibus Continuing, Further, FY1996	H.R. 3019	2:40
Continuing Further, D.C., FY1996	H.J.Res. 153	:20
Continuing, Further, D.C., FY1996	H.J.Res. 163	1:10
Continuing, Further, D.C., FY1996	H.J.Res. 165	1:15
Continuing, Further, D.C., FY1996	H.J.Res. 170	:13
Continuing, Further, D.C., FY1996	H.J.Res. 175	1:20
Budget Resolutions, FY1997	H.Con.Res. 178	10:50
Reconciliation	H.R. 3734	10:20
Tax Bill	H.R. 3103	7:00
Tax Bill	H.R. 3448	5:15
Total Time		162:03

Table 8. 1997 Measures

Congress: 105 <sup>th</sup>	Session: 1 <sup>st</sup>	Year: 1997
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Transportation, FY1998	H.R. 2169	4:29
Treasury, Postal, FY1998	H.R. 2378	4:14
VA, HUD, FY1998	H.R. 2158	13:04
Continuing, FY1998	H.J.Res. 94	1:00
Continuing, FY1998	H.J.Res. 97	:43
Continuing, FY1998	H.J.Res. 104	:18
Continuing, FY1998	H.J.Res. 101	:10
Continuing, FY1998	H.J.Res. 105	:03
Continuing, FY1998	H.J.Res. 106	:04
Interior, FY1998	H.R. 2107	22:05
Labor, HHS, FY1998	H.R. 2264	41:43
Legislative Branch, FY1998	H.R. 2209	7:22
Military Construction, FY1998	H.R. 2016	4:58
Defense, FY1998	H.R. 2266	7:33
DC, FY1998	H.R. 2607	6:32
Energy and Water, FY1998	H.R. 2203	5:20
Foreign Assistance, FY1998	H.R. 2159	18:46
Omnibus Consolidated Appropriations Technical Corrections, FY1997	H.J.Res. 25	:06
Agriculture, FY1998	H.R. 2160	18:37
Commerce, Justice, State, FY1998	H.R. 2267	26:57
Budget Resolution, FY1998	H.Con.Res. 84	16:04
Balanced Budget Act, (Reconciliation) FY1997	H.R. 2015	12:25
Revenue Reconciliation, FY1997	H.R. 2014	13:09
Emergency Supplemental, FY1997	H.R. 1871	1:05
Emergency Supplemental, FY1997	H.R. 1469	12:13
Total Time		239:00

Table 9. 1998 Measures

Congress: 105 <sup>th</sup>	Session: 2 <sup>nd</sup>	Year: 1998
Bill Name	Bill Number	Approximate Amount of Time Spent on House Floor (HR:MN)
Emergency Supplemental, FY1998	H.R. 3579	4:20
Agriculture Appropriation, FY1999	H.R. 4101	11:27
State Justice, FY1999	H.R. 4276	24:00
District of Columbia, FY1999	H.R. 4380	9:10
Department of Defense, FY1999	H.R. 4103	4:45
Energy and Water, FY1999	H.R. 4060	3:25
Foreign Assistance, FY1999	H.R. 4569	6:47
Interior, FY1999	H.R. 4193	13:42
Transportation, FY1999	H.R. 4328	2:07
Omnibus Appropriations, FY1999*	H.R. 4328	11:41
Military Construction, FY1999	H.R. 4059	2:19
Legislative Branch, FY1999	H.R. 4112	3:52
Treasury, FY1999	H.R. 4104	18:35
VA, HUD, FY1999	H.R. 4194	24:39
Continuing, FY1999	H.J.Res. 128	1:10
Further Continuing, FY1999	H.J.Res. 133	1:10
Further Continuing, FY1999	H.J.Res. 134	1:00
Further Continuing, FY1999	H.J.Res. 135	1:10
Further Continuing, FY1999	H.J.Res. 136	:05
Further Continuing, FY1999	H.J.Res. 137	:05
Budget Resolution, FY199	H.Con.Res. 284	6:47
Education Savings Act for Public and Private Schools	H.R. 2246	6:54
Taxpayer Relief Act	H.Res. 4579	4:11
Total Time		188.35
* Note same bill number as FY99 Transportation appropriation measure – but the conference report is the Omnibus Measure.		



The CHAIRMAN. Against which portrait? I knew what the answer was going to be on that one.

I very much appreciate your encouragement of the work ethic, Mr. Moakley, and I am happy to call on one of the hardest workers here, Mr. Linder.

Mr. LINDER. Thank you, Mr. Chairman. I am just pleased to be here and listen to the testimony. I have no opening statement. I am anxious to hear the testimony.

I would like to respond to one thing Mr. Moakley said, that floor time versus nonfloor time is 25 or 20 percent of what we do. But my guess is the nonfloor time on the budget takes four or five times as much as the floor time, the conference reports, negotiating back and forth with the White House; and to do that every other year would give us an awful lot of time to do oversight, which would seem to be lacking.

Mr. Chairman, I look forward to hearing our witnesses.

The CHAIRMAN. I am happy to call on Mr. Sessions.

Mr. SESSIONS. Thank you, Chairman. I am delighted to be here today, and I am very proud of my chairman for bringing forth full and forthright discussion.

I believe that this in-depth discussion about the idea of biennial budgeting is very, very important. My colleague, Mr. Moakley, says that we don't spend too much time on the budget. I tend to disagree with that. I think we do spend too much time on the budgeting and too little time on oversight.

I have had a great number of dealings with Inspector General Walker. We have talked about the duty of oversight and the opportunities that we have to make this government not only work more efficiently, but provide a set of tools so that we can make government do the things and help it to perform in the ways that it should.

I believe that probably the greatest avenue of success that will be coming as a result of biennial budgeting will be not just the impact on Congress but on agencies. Agencies always, I think, would tell you that if they get a budget that is early, with money that is appropriated to where they know exactly what Congress is asking them to do, they can perform their planning function properly.

And I remember doing a college paper back in 1977 on the effectiveness of giving the Pentagon a 5-year budget, and I am well aware that we are not talking about 5-year budgets here, but of how a 5-year budget would allow what was then the largest department of the government to move efficiently and effectively, not only through their procurement, but also on their things—the day-to-day needs and looking forward in technology. And I think if it was true in 1977, it would certainly be true now in 2000 and 2001 and on a going-forward basis. I believe this would help us and the government to more effectively look at waste, fraud and abuse.

I believe that it is a management tool that companies, many companies, Fortune 500 companies employ. They do a 5-year view, not just of budgeting, but of the actual money that will be spent, where they are going to spend it, how they are going to spend it, what the priorities are. We will have an opportunity to talk more fully with agency heads to ask them to predict and to show Con-

gress what their needs are, instead of on a year-to-year budgeting, on a longer-looking, more forward-looking basis.

So I think if we look at what is happening in the States, we can glean the good part of those opportunities, and Mr. Chairman, I am very proud to be a part of this effort for us to have an in-depth look, an opportunity to know what the advantages could be, what the pitfalls are. And I believe that the administration, being here today as they are, will be able to present us with a view from a great deal of wisdom—men and women who have participated with President Clinton in running this government for the last 7 years. They have been through not only trial and tribulation, but they have seen some things that I think that in their last few months might offer us an opportunity to make things better.

And it is this making better, the scrubbing down that I think is very important, and I appreciate your bringing this forward.

The CHAIRMAN. We are certainly proud to have you as part of the process, Mr. Sessions, and I would like to further buttress your arguments by providing, without objection, in the record a litany of the last decade of roll call votes we have had on the budget on the House floor showing how great that work ethic has continued to prevail here.

[The information follows:]



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## *Memorandum*

February 11, 2000

TO : House Rules Committee  
Attention: Eric Pelletier

FROM : Sandy Streeter  
Analyst in American National Government  
Government and Finance Division

SUBJECT : House Budget-Related Roll-Call Votes, Calendar Years 1990-1999

This memorandum responds to your request for the number and percentage of House budget-related roll-call votes for calendar years 1990 through 1999. Table 1 provides this information as well as statistics on the number of votes by type of measure: appropriations (including rescissions), authorization, tax, budget resolution, reconciliation, debt ceiling, and miscellaneous.

All votes relating to appropriations measures, tax measures, budget resolutions, reconciliation measures, and debt ceiling measures were considered budget-related votes. Such votes included votes on amendments, motions to recommit, measures, and conference reports, as well as all procedural issues, such as votes associated with the special rules providing for consideration, appeals of the rulings of the chair, and all motions to instruct conferees.

The budget-related votes on authorization and miscellaneous measures were more limited. Budget-related votes on authorization measures also included votes on amendments, motions to recommit, conference reports, and motions to instruct conferees regarding authorization bills. Most procedural votes were excluded since it was not clear if the vote was on a budget-related issue or another policy issue. In addition, the language (for example, the amendment, bill, or conference report) met other criteria, such as it: provided or changed authorization spending levels; provided or changed entitlement benefits or eligibility requirements; or provided or changed user fees.

Budget-related votes on miscellaneous measures included votes on measures that were not included in the other categories, such as measures to: change the budget process; override the President's line item veto; change revenues directly through tariff revisions; and

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reduce spending directly.<sup>1</sup> Budget-related votes were limited to amendments, motions to recommit, measures, conference reports, and motions to instruct conferees (most procedural votes were excluded). In addition, the language would change the budget process or directly change spending or revenues.

One caveat should be mentioned. The source's of the data were the descriptions of the votes provided in the *CQ Almanac* and *CQ Weekly Reports*. From 1990 through 1997, CQ provided comprehensive descriptions of the issues in articles in the publications. CQ data (both its *Almanac* and *Weekly Reports*) for 1998 and 1999, however, were less comprehensive. As a result, the reduction in the number of authorization votes identified in 1998 and 1999 may in part be attributed to the more cursory coverage given the votes.

However, this problem may have had a small effect. In four of the past five years (CY1995-CY1999), the percentage of authorization votes to total votes has remained steady, ranging between 8% and 9%. (In 1996, the percentage was 13.)

If you have any questions, please contact me at 7-8653.

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<sup>1</sup> The House considered an omnibus spending reduction bill that was neither a rescission bill nor a reconciliation bill.

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Table 1. House Budget-Related Roll-Call Votes by Type of Measure, CY1990-CY1999

Measure	CY1990	CY1991	CY1992	CY1993	CY1994	CY1995	CY1996	CY1997	CY1998	CY1999
Appropriations	112	105	138	176	113	292	147	155	124	156
Authorization	96	79	76	98	81	67	57	52	48	57
Tax	0	1	17	0	2	15	9	3	11	9
Budget Resolution	8	9	10	13	9	14	8	10	4	9
Reconciliation	7	0	0	9	0	9	9	12	0	4
Debt Ceiling	6	0	0	4	0	11	10	0	0	0
Miscellaneous	5	3	12	11	19	30	4	6	9	9
Total Budget-Related Votes	234	197	253	311	224	438	244	238	196	244
Total Votes	536	444	488	615	507	885	455	640	547	611
Percentage Budget-Related Votes	44	44	52	51	44	49	54	37	36	40

SOURCES: *Congressional Quarterly Almanac*, 1990-1998 (Washington: Congressional Quarterly, Inc., 1991-1999); and *Congressional Quarterly Weekly Reports*, 1999 (Washington: Congressional Quarterly, Inc., 1999).

The CHAIRMAN. So with that, Mr. Lew, we again welcome you and look forward to your testimony

**STATEMENT OF JACOB J. LEW, DIRECTOR, OFFICE OF  
MANAGEMENT AND BUDGET**

Mr. LEW. Thank you, Mr. Chairman.

Mr. Chairman, thank you very much for the invitation to appear at the committee this morning. It may be my first time testifying before the committee; it is by no means my first experience working with this committee. I had the pleasure 25 years ago working for the now ranking member, Mr. Moakley, and learned a great deal about—

Mr. MOAKLEY. I think you just blew it, Jack.

The CHAIRMAN. Thank you very much for being here.

Mr. LEW. And the chairman at the time was Chairman Bolling, whose picture is sitting right over Mr. Moakley's shoulder right now. I learned a great deal about the House and this committee and the important role it plays in making sure things work well, both in the House and in the Government of the United States. This may be an issue where Mr. Moakley and I don't agree 100 percent, but I can tell you, I have the greatest respect and I am grateful for the work you do.

I would like to start, if I could, by sort of recognizing where we have been on this issue and how far we have come to get to the hearing today. Since 1993, the administration has supported biennial budgeting. It was part of the National Performance Review recommendations. There are a number of recommendations that were made there, some of which we have already implemented, that will help us reduce the size of the Federal workforce, reduce the deficit, and this is an important piece of the overall set of proposals that were made.

Two of my predecessors, as you noted, Leon Panetta and Frank Raines testified in support of biennial budgeting, and at the time it was not an idea that seemed to have very much support. The difference sitting here today is that we are in the middle of a discussion where people are asking, is it really going to happen this year; and I would like to change a little bit the focus of the way we testify.

Rather than making the case strictly for biennial budgeting, I would like to associate myself with the remarks my predecessors have made, and I would just focus on some practical considerations, what I think would need to be worked through for biennial budgeting to work, because I think there is, whenever you make significant changes, the risk that you sometimes don't address just the problem that you are trying to solve, but other things that may create problems, or fail to deal with some of the practical considerations.

I think the important challenge before this committee is to work on getting a proposal enacted into law and how to get a proposal that works, and I would like to focus on some of those issues.

Any law that provides for biennial budgeting will set forth procedures. I think it is important that the procedures be realistic, and I would start by saying that I don't believe it is realistic to think

that the second year of a biennium will be a year of no executive branch proposals and no legislative actions. I think that the law has to provide for a realistic updating process so that in the second year there would be an orderly review of supplemental requests and changes, so that there would be an active policy process in the second year.

The challenge—the challenge is to have it be an orderly process so that in the second year we don't end up doing 13 separate appropriations bills that become a kind of disorderly way of accomplishing what we do today with the regular appropriations process; and in there is a lot of the challenge of making biennial budgeting work.

I think there is a need for flexibility in the executive branch for biennial budgeting to work. There will be a need for reprogramming authority. There will be a need to give agencies some more discretion, but there will also be a need to have the committees, the appropriations committees, have oversight responsibilities through notice, through approval mechanisms; and I think the challenge is going to be to find the right balance, to have the balance be so that the executive branch agencies can work in a smooth way and so that the appropriating committees don't end up micromanaging at such a small level that we have a kind of paralysis in the second year.

It won't work if we end up with no ability to change in the second year. It won't work if we end up with too much executive discretion. It won't work if we have too much legislative micromanagement. I think it comes down, beyond process, to questions of comity between the branches and whether we can make it work.

A lot of the problems in the current appropriations process are not written in the rule book, not written in the statutes. The problem has been a difficulty in reaching agreement and reaching agreement in a timely way.

To the extent that we have to do it once, not twice, in a 2-year cycle for all 13 appropriation bills, I think that is a good thing. I think it will certainly allow more time for management issues to get attention in the executive branch. I believe it will allow more time for management issues to get attention in the legislative branch as well.

Now if it turns out that reaching agreement on 2-year appropriation bills is more difficult than we think and if the process leaves us in a state of limbo for a long period of time, that will be a concern to me. And I would note that points of order as an enforcement mechanism are very useful as a tool for blocking certain action, it is not a very powerful tool for forcing action; and I think that we have to all think very hard about what we can do to make the process work, so that there will be action on a 2-year budget if we have a law that creates these rules to provide for 2-year budgeting. Because if you get into the 15th, 18th month of a cycle and you don't have an agreement on the 2-year budgeting, then you are expanding the window of uncertainty that we often have at the beginning of the fiscal year now when we run for a month or two on continuing resolutions.

I would like to address two other issues briefly, and then I would be delighted to answer your questions. The idea that biennial budg-

eting is an answer to all the problems of the budget process, I think is not correct. I think there are many things about the budget process that need to be addressed. The President's budget made several proposals, including having a Social Security solvency lockbox, providing for Medicare transfers to ensure Medicare solvency; extending the PAYGO rules so that we have fiscal discipline in the time of surplus; and extending realistic budget caps, discretionary caps, so that we have discipline in the appropriations process. I think it is very important that all these issues be considered, not just biennial budgeting apart from all the others.

On the other hand, I would be very concerned about what the chairman referred to as the controversial budget proposals that could be added into a bill. Biennial budgeting has many, many benefits, but if attached to it are provisions that would either relieve the pressures of the current PAYGO system or make it easier to take what I would describe as a path away from fiscal discipline, I think it does more harm than good. So I think the challenge has to be to design a workable biennial budgeting proposal, keep it clean of dangerous proposals, and hopefully expand the discussion to include what we think are very positive budget reforms beyond biennial budgeting.

Let me close, if I may, on a positive note. I think that my experience as OMB Director has only reinforced my belief that what we do on the management side is every bit as important as what we do on the budget side. The frustration that I have is that the budget process takes up so much of my time, so much of the time of the people that we deal with in Congress that we don't have as much of the year as I would like to devote to making the programs work better.

I think biennial budgeting, if it is properly designed, could very much help alleviate these pressures. I think that beyond design we have to take very seriously and take a look at our own practices as both executive branch and legislative branch representatives and ask ourselves, can we make it work even if the rules are written right.

I believe we can. I think we should try to and I applaud the committee for taking the step it has taken to advance the debate on this issue.

[The prepared statement of Mr. Lew follows:]



**Statement of Jacob J. Lew,  
Director, Office of Management and Budget**

Mr. Chairman, and Members of the Committee, I am pleased to be here this morning to discuss biennial budgeting and other budget reform proposals.

This Administration has strongly supported many reforms to improve the efficiency and effectiveness of the Federal Government. Beginning with the Vice President's National Performance Review in 1993, the Administration has sought to reinvent the Federal Government, so that it will work better and cost less.

We have already seen a number of successes. For example, since President Clinton took office, the number of Federal, executive branch civilian employees has dropped by over 360,000 to the lowest level in 39 years. In addition, when the Administration took office, the Federal budget routinely ran deficits of well over a hundred billion dollars per year, deficits then projected to continue into the indefinite future. This trend has been decisively reversed, with the Federal budget running a surplus in the last two fiscal years -- FY98 and FY99. Prior to these surpluses, the last balanced budget had been in fiscal year 1969, and the last time that the Federal Government had two consecutive balanced budgets was in fiscal years 1956 and 1957.

The fact that we are running a surplus does not mean, however, that fiscal discipline is no longer needed. To the contrary, fiscal discipline is essential to protect Social Security and strengthen Medicare, so that both will be there in the years ahead. Reducing the accumulated Federal debt will help us to protect these important programs, improve our ability to respond to future fiscal problems or crises, lower both interest rates and Federal interest costs, and encourage continued strong economic growth. Accordingly, the President's Budget for Fiscal Year 2001 proposes a new framework for the budget process that includes tools for ensuring continued fiscal discipline. These tools include a Social Security Solvency Lockbox to ensure that Social Security surpluses are not used for other purposes, as well as measures to strengthen Medicare and reduce the publicly-held debt. In addition, the framework proposes to extend to 2010 both the "paygo" and discretionary spending caps enforcement mechanisms.

In this context, the Administration continues to believe that biennial budgeting offers a management tool with potential to contribute to the enhanced performance of the Federal Government. In 1993, Vice President Gore's "Report of the National Performance Review" proposed moving to biennial budgeting. The potential benefits of biennial budgeting were also outlined in testimony presented by two of my predecessors as OMB Director -- Leon E. Panetta and Franklin D. Raines -- in their testimony before the House Governmental Operations Committee (in 1993), the Senate Rules Committee (in 1994) and the Senate Governmental Affairs Committee (in 1997).

Most recently, the President's FY2001 Budget states that "Reaching agreement on budget priorities for two years would provide greater predictability and planning certainty to program administrators and beneficiaries. Making appropriations that cover two fiscal years would also permit congressional committees to perform their oversight functions in the off-year with less distraction."

In their testimony in support of biennial budgeting, OMB Directors Panetta and Raines focused on its potential benefits. I would like to first reiterate the substantial advantages of biennial budgeting. In addition, given the serious consideration being given to biennial budgeting this year, it is particularly important to discuss some of the practical considerations for biennial budgeting to succeed.

The potential benefits from biennial budgeting can best be appreciated by considering what happens nearly every fall under the current process. During the months of September and October, Congress and the Administration are typically negotiating final appropriations levels for the new year and reaching agreement on one or more continuing resolutions. Simultaneously the agencies and departments of the Executive Branch are beginning the new fiscal year operating under continuing resolutions while also expending great amounts of time developing their budget requests for the subsequent fiscal year.

The current process does not serve us well. It is very inefficient, and the task of budgeting consumes a great deal of time and energy that could be better devoted -- by the Congress, the President, and the agencies -- to addressing programmatic issues from a longer-term and more

in-depth perspective. In sum, the primary potential benefit from biennial budgeting is that, by concentrating budget decisions in the first year of each two-year period, time would be freed up in the second year that could be redirected to management, long-range planning, and oversight.

These are familiar arguments that have helped build the growing interest in biennial budgeting. By contrast, many of the criticisms of biennial budgeting focus on concerns about how it will function in practice. These important concerns must be kept in mind when crafting legislation. Because of growing support for biennial budgeting, I want to spend time on problems that could arise under it, and the challenges that the Congress and the Executive Branch will have to address to ensure that it succeeds.

First, for biennial budgeting to work, the two branches in the first year of the biennium will have to negotiate, and reach agreement on, appropriations that span two years instead of only one. This will be difficult. The problems with the current process result from the difficulties that Congress and the Executive Branch have encountered in negotiating, and reaching agreement, on appropriations that cover one year. Having to negotiate and reach agreement on two years of appropriations will inevitably be more complex.

As a result, the two branches will have to exercise discipline in carrying out negotiations, to ensure that they reach a successful conclusion within about the same time frame as we now do for the thirteen appropriation bills. If the negotiations drag on into November and December, then the time that is saved in the second year of the biennium comes at the expense of having to devote more time to budgeting in the first year. Alternatively, if the two branches give up and enact only annual appropriations, then we will have essentially created a more time-consuming version of the current process.

Second, the two branches would have to ensure that, during the second year of the biennium, the Federal Government remains able to respond to changing and unforeseen circumstances, as well as evolving priorities. It is not reasonable to expect that appropriations could be proposed, and decided upon, in the first year of the biennium, with no changes needed during the next two years. Under biennial budgeting, a mid-cycle review would have to occur and necessary corrections made. Thus, there will be a need for the President to have the opportunity to propose orderly changes, and for Congress to provide updates. Should the supplemental become thirteen appropriations bills, the efficiencies of biennial budgeting would be lost. There will also be a need to provide agencies with additional flexibility in how they use their funding, to enable them to address changing conditions and evolving priorities without the need for a legislative change in each and every case.

We should not expect the answer to this challenge to be immediately obvious. It will likely take the two branches some period of time, as they implement biennial budgeting, to learn how the benefits of biennial budgeting can be realized without sacrificing necessary Government flexibility. We should endeavor to meet this challenge. Biennial budgeting will not work if the process either becomes too inflexible or too open-ended. On the one hand, the Federal Government will not be able to carry out its responsibilities properly if it finds itself locked into long-term appropriations that are open to review and revision only once every two years. On the other hand, the potential benefits from biennial budgeting -- namely, the time that can be saved and redirected to longer-term reviews and initiatives -- will not be realized if in place of the current system with structured annual budget reviews, we produce a system in which the two branches become so accustomed to considering and passing supplemental bills that the task of budgeting becomes an unstructured and unending process.

For biennial budgeting to work, then, the two branches will have to avoid these extremes, and find the proper balance under which the major task of budgeting is carried out once every two years. Furthermore, mid-course corrections should be limited to those changes needed to address changing and unforeseen circumstances, as well as significant changes in priorities. That balance will require cooperation between the branches. Supplemental appropriations bills will require both congressional and presidential action. I would anticipate that additional flexibility for agencies will be accompanied by appropriate congressional consultation and notification requirements. Efforts should be made to avoid a process that enables single parties to block agency activities at a very low level of detail.

Finally, there will also have to be an appropriate transition period before the Federal Government converts over to biennial budgeting. It must be recognized that biennial budgeting will constitute a very fundamental change in how the Federal Government operates. A conversion to biennial budgeting will have to take into account the magnitude of the change that would be required, both

in terms of the need to make necessary conforming changes to those laws that presume the proposal and enactment of annual appropriations, as well as in terms of the need for Congress and the Executive Branch to develop and implement new practices for proposing, considering, and enacting biennial budgets. For example, we will need to ensure that an incoming President has sufficient time, upon taking office, to prepare a budget proposal that will cover two years rather than one. Additional time may be necessary for the Administration to prepare the first biennial budget proposal as well as for Congress to pass the first set of biennial appropriations bills. We can expect a challenging process in the first year, and the legislation should allow for that.

In order to realize the many potential benefits of biennial budgeting, we must think through carefully how it would work in practice, so that we can successfully meet the challenges that will be involved in carrying out the transition and in implementing the new system. Indeed, careful attention must be devoted to crafting biennial budgeting legislation to ensure that the adoption of biennial budgeting will work in practice, with the intended results.

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As I have explained, biennial budgeting has the potential to enable the Congress and the Executive Branch to save time that can be devoted to more in-depth and longer-term reviews and initiatives. By itself, however, biennial budgeting cannot remedy all of the shortcomings of the existing budget process. In order to strengthen the budget process and maintain the fiscal discipline that has brought us so far, we need to also address the budget process proposals presented in the President's Budget.

As I noted earlier, the President's Budget for FY2001 proposes a new framework for the budget process. The reforms that the Administration has proposed will protect Social Security, strengthen Medicare, and ensure continued fiscal discipline. Establishing budget protections for Social Security and Medicare, along with other budget reforms such as extending paygo and the discretionary caps, will strengthen the framework for fiscal discipline for the long term and ensure our continued success in getting our fiscal house in order.

It is also important that biennial budgeting not be used as a vehicle to make other potentially damaging changes in the budget process, such as ending the paygo requirements for tax cuts and new mandatory spending. Finally, it should be noted that points of order can be used to block non-conforming action, but not to compel agreements on a two-year cycle. It will take cooperation and constructive negotiations to reach a two-year agreement.

Carefully crafted biennial budgeting legislation, particularly if it is combined with the budget process reforms in the President's budget, can be an important tool to improve management of our Government. I look forward to working with you in that process and would be pleased to respond to your questions.

The CHAIRMAN. Thank you very much, Mr. Lew. That is very helpful testimony, and you, of course, raised that important issue of flexibility which is one of the concerns that the opponents have addressed.

You touched on something that I would like you to expand on just a little, and you said a new supplemental structure, and I wondered what you envisage as a structure. Because again, opponents said what you are going to do is have a load of additional supplemental appropriation bills; and you said, obviously we don't want to have 13 appropriations bills in that second year when we want to focus on oversight. But clearly that question is before us.

Mr. LEW. I think that the supplemental process is one that, if properly managed, doesn't have to become the equivalent of 13 appropriation bills. I think just yesterday we saw the Appropriations Committee take action in the House on a very substantial supplemental appropriation bill where there has been an effort between the branches to work on resolving issues that couldn't have possibly been addressed last October.

The notion that in the second year of a biennium we will look back and say that all of the decisions that we made at the beginning of the biennium are 100 percent correct, given changing needs, changing priorities, I don't believe is realistic. I think the executive branch needs to take a review and make proposals.

I think what I would emphasize is that putting together changes is a very different undertaking than putting together separate requests for 100 percent of the funding of each department. When I look at a supplemental appropriation, it takes days of analysis. When I look at an agency appropriation for each agency of government it takes weeks and months of work. It is a very different magnitude if you are looking at the 5, 10 percent that you are changing, than if you are looking at absolutely everything from the ground up, oftentimes repeating the things that you have done very recently, but you have to go through if you are going to go through every line of it. The discipline of looking at what has changed and doesn't warrant new action narrows very much the scope of what you are addressing.

I think the administration should propose changes. I think Congress should have an orderly procedure to review changes, and I think that the danger of not having an orderly process is that it kind of dissolves into a year-round process where there are always changes being proposed and always changes being acted on. I think that would end up taking a lot of time and that would not be a good use of either the executive branch's or the legislative branch's time.

So the desire to say that a 2-year budget doesn't require another look, I don't think is realistic. The challenge is to design that second look so it is efficient.

The CHAIRMAN. So this is what you describe in your prepared text as sort of a midcycle review process?

Mr. LEW. Correct.

The CHAIRMAN. As has been pointed out by all of my colleagues here, we spend a great deal of time on this, on the budget process.

You talked about the fact that you spend so much time on it, other than getting into these other things.

As far as the other agencies of the government are concerned, what would you say the amount of time they spend on the budget process itself is?

Mr. LEW. I think it is hard to answer a question like that statistically. You answer it kind of impressionistically.

The budget year never ends. If you look at where we are when Congress finishes its work on the appropriations bills, it is supposed to be September 30th, but in our recent experience, it has more likely been November 30th or October 30th. Our budget process is well underway at that point. We usually start our OMB reviews, so that means the agencies have made their submissions to us already, around Columbus Day.

We make our recommendations to the President before Thanksgiving, and we make our recommendations to the agencies by Thanksgiving. From Thanksgiving until the end of the year, we work through with the agencies the process of resolving appeals of OMB decisions on budget levels and ultimately take to the President issues that can't be resolved short of that.

Then the process from January until the budget is sent up in February is a production process where we put together the many volumes that have to support the budget. The agencies are very involved in that; we are very involved in that. That is a less time-consuming process for the policy officials at the agency, but it is a very time-consuming process for the budget officials.

The period of time from January until March used to be the time when Congress shifted to the focus on budget matters, and the administration was relatively less involved. I would say that the extensive hearing process, which I am not criticizing, which I think is a very worthwhile process, takes a very substantial amount of time for not just OMB, but agency heads for most of February and March.

I know I talked to my colleagues who are very, very much involved in preparing for their testimony. They take very seriously the need to come prepared and to have good sessions, and that involves senior management as well as budget officers.

At the point after, you know, March, the Appropriations Committee begins working on its appropriation bills. The committees are very much in contact with the departments, with OMB. That process goes pretty much until the end when the cycle begins all over again. So there is really not much of a break.

Now, I am not saying it takes 100 percent of the time of policy officials, but there is virtually no part of the year that isn't very much affected by work on the budget process.

I think if you had a biennial budget system in place, you would have a real chance of creating a 6-month window when budget matters took a much lower share of senior policy officials' time, which would allow more time to be spent on management, and then as that filters down through the layers of government even more so. So I think there is definitely a benefit to be had from trying to stretch the process out.

The CHAIRMAN. Let me ask just one final question. You said that since 1993 the administration has been a proponent—and I know

the President; I talked to the President about this. He has been a strong supporter of it. Was this something that you have always supported or have you come to this position after your years of experience working for Mr. Moakley, among others?

Mr. LEW. I must say, personally I take process changes with a little bit of a grain of salt because if they are not backed up by the commitment to make them work, they can't work. You can write a perfect process, but it is not the process that make decisions. It is the people working in the process that make decisions.

I have always thought that the appropriations process took up more of the year than it should. I remember 20 years ago seeing this diagram that looked like a worm, that described the budget cycle where there is an 18-month period where parts of the process are always overlapping each other. I must say my biggest concern is whether workable procedures would be backed up by the participants in the process to make it work, and it does take comity between the branches. It takes a willingness to allow for some executive decision, to allow for some congressional oversight, to work in a collaborative way.

We have been better at that at some times than we have at others. I think that that is a challenge that can't be written on paper. It is something that people have to commit themselves to, and if we are committed to put that in, I think it is a very good idea, and it is one that I very much support.

The CHAIRMAN. So you have always been a proponent of the biennial budget process, then, I guess?

Mr. LEW. Since I have had a firm opinion on the matter, the answer is yes.

The CHAIRMAN. Mr. Goss.

Mr. GOSS. Thank you, Mr. Chairman.

You make a good case for wanting to have some time to let your senior managers do things other than punch numbers. I think that is very reasonable and refreshing and probably welcome news to the American public.

The same I think applies to the dual role we have here, which is legislation and oversight. I think that one of the reasons we are looking at this from this point of view is to decide if, we can have a little more time for oversight of the way you have managed; and I think that is one of the good things about our system, that it provides a series of checks and balances, and I think this is part of it. And I do think the budget cycle as it is presently constituted does tend to take away, certainly, our time; and it has become such a workload for all of us that it probably has a negative impact on our oversight in total. I won't say from point to point, but I would say, in total, I think we can do better in oversight. That may not be welcome news to you, but I think it is welcome news to Americans. At least that is the way we have set it up.

I wanted to ask, you talked about the process and other parts of the process, other reform, and I wanted to go into one of those areas which I think might be considered other, and it is something that has struck me as chairman of the Intelligence Committee. We have, I am told by CBO, something like 130 programs, worth about \$120 billion, which don't get authorized, but nevertheless get appropriated through the magic of the Rules Committee or some

other system that we have created for ourselves here. In the Intelligence Committee we have a mandatory requirement for authorization. If the authorizing committee doesn't do its work, theoretically no funds get appropriated.

Now there are lots of ways to deal with that theoretically, but by and large, I think that gives us an extra incentive to do our authorization work timely and go through the budget properly.

And I am wondering, since that only applies to the Intelligence Committee and one or two other discrete programs that I can think of, if you have a view on whether or not we ought to be a little bit more attentive to following the process of authorization and then appropriation? Does that give us a salutary gain in our process?

Mr. LEW. I think that the authorization process is a very important one, and if you look over the last 15, 20 years, it probably has not worked the way it was intended to work, to put it mildly. Part of it has to do with the calendar which doesn't permit authorization legislation to get time on the floor. If it doesn't get the time on the floor, the incentive to produce it in committee goes down; it just kind of flows through the system. I think freeing up floor time and having a calendar where authorizations were expected to be considered would be a real gain.

I think that the notion of appropriating with and without authorizations is something that is divided in several categories. Authorizations that have expired, where there is an authorization that has been in place, is a very different circumstance from programs that have never been authorized at all; and I don't find it to be as troubling for appropriators to take the liberty of appropriating in areas where there is a last authorization, but there is a clear policy that has been written. I think it would be a kind of artificial constraint, given our ability to process all of the authorizations to have programs just go away because the authorization date has passed.

I think that there is a lot of activity in the appropriations process that is either on the line or across the line in terms of creating new authorizations, and I think one has to take those matters on a case-by-case basis. I think the rigid rule that says never appropriate without authorization, no waivers, would leave us unable to address changing circumstances in a timely manner.

I think if you go too far, it does a lot to diminish the ability of the Congress to have the kind of serious, detailed review of policy that should go in to putting initiatives together, and I think one has to find the right balance.

Mr. GOSS. I appreciate that. I think I am probably about the same place. I know that there is no such thing as a permanent fixed-in-cement solution for anything around here, but I am leaning towards trying to find incentives so that there are rewards for authorization as opposed to, particularly, new authorization. I agree with your distinction, and I think that is a useful comment, and I appreciate your help.

The CHAIRMAN. Thank you very much.

Mr. Moakley.

Mr. MOAKLEY. Jack, welcome back. I know Tip would be very proud of you. I hear that you are in favor, but it sounds like you are very cautious about it. I find that the fight doesn't come from so much the budget process as it does the policy decisions. I think

the process isn't bad. We just can't get people together to agree on what should be in the budget and how much, and that is where the fight takes place, wouldn't you say?

Mr. LEW. I think the process today creates more friction because of the calendar than it needs to. When the budget resolution is up in the air until the spring and the Appropriations Committee can't begin its work seriously until late spring, then we get into the summer and we are seeing September, October on the horizon, it becomes more difficult to work through the policy differences. One of the benefits of biennial budgeting is that it would give the appropriators more advance notice of what their targets are and give the appropriators time to work through a lot of the policy differences.

I don't disagree with your basic notion there is policy in the process. I mean, it wasn't a process issue that caused the appropriations process to go until November, but it was a calendar issue that forced those issues to come to ripen after Labor Day when we had a September 30th deadline ahead of us.

Mr. MOAKLEY. Is it realistic, Jack, for an incoming President in his first 4 months to come out with a 2-year budget?

Mr. LEW. I think that is one of the biggest practical considerations, the transition issue. I think there is a one-time transition that has to be thought through very carefully. I went back and looked at what our schedule was when Leon took over OMB in 1993, and he sent a short document up in February on time and the longer documents for a 1-year budget up in April.

I think realistically—you know, that was an OMB Director, who had vast experience in Federal budgeting. No one is going to do it much faster than that, and the notion that you can do a 2-year budget by February, March is just unrealistic. I think April is a stretch.

I think that what it says to me is that for the first 2 years of a new system there really needs to be very careful consideration given to the practical realities of the transition. I think that it ought to be fully in effect at the beginning of a Congress. I think it would be ideal for it to be in the middle of a presidential term so that you didn't have everything changing all at once, and there are ways that one could design the transition so that you could have the process put in place where, on a technical basis, OMB is going to redo how the computer systems are run, how the agency guidance is put out, what the agencies give us to work the kinks out when the time pressure to absolutely comply is not as great, and to have the idea be that after a 2-year transition you are fully in the new system.

I think that to wait and say, let's start in 2 years creates the same problem again 2 years from now. At any point it is going to be difficult, but it is particularly difficult at the beginning of a new administration where everything is new.

Mr. MOAKLEY. Does it also mean the biennial budget process really creates an avalanche of supplemental budgets in the off year?

Mr. LEW. I don't think it is an avalanche exactly. I think one ought to expect there would be a substantial need for supplementals.



We have seen in the last number of years that we have substantial needs for supplementals with annual budgeting, in part because we can't predict where it is going to flood and where hurricanes will hit, in part because changing international situations require new commitments that we couldn't possibly foresee. I think those things will continue to come up, only a little more so, because they are normal changes from year to year.

If you look at the Federal budget, I don't have an exact percentage, but an awful lot of it doesn't change from year to year. We spend a lot of our time making the same decisions over and over again. A lot of activity is in the last 10 percent, which is where the change really is. In the second year, if we focused on that 10 percent and we had an orderly process, I don't think it would be anywhere near as time-consuming as putting a full budget together or in terms of Congress processing 13 full appropriations bills.

I do think there is a risk, as I noted in my formal remarks and opening remark, that it could kind of dissolve into 13 ad hoc appropriation bills. Then I think you end up worse off than when you started. So it is going to take discipline and the structure, the process can help provide that discipline and the people working in it have to make it work. I think it is worth the effort.

I think the challenge of managing the current process is probably one that future administrations and future Congresses will share the frustrations that I and my predecessors have noted. I think that the changes have to be well designed, and that is why I have tried today to focus on what the issues that have to be carefully dealt with are.

Mr. MOAKLEY. Thank you.

Thank you, Jack.

The CHAIRMAN. Mr. Linder.

Mr. LINDER. Would a 2-year cycle create less incentive for getting an agreement at the end of the first year? Because it seems to me that the longer we drag this out, the more we are getting pressured into our next-year cycle.

Mr. LEW. There is certainly a risk. The end of the fiscal year is an action-forcing event. The notion of being in a continuing resolution doesn't strike anyone as a particularly good idea. It is not good from the agency's perspective; it is not good from the Congress' perspective. I think it diminishes public regard for government because it makes it clear we are having difficulty making the basic decisions that we are expected to make.

I think the notion of slipping months into a fiscal year is not attractive under the current system. It would not be attractive with biennial budgeting. I think the same pressures that drive you to reach a conclusion now would drive you to reach a conclusion later.

I do think the challenge of reaching a 2-year agreement would be slightly larger, significantly larger than the challenge of reaching a 1-year solution. I think that if we get into the habit of thinking in 2-year terms, it will get easier than it seems today. I think it will be harder the first year than it is 2 years later when it is done for the second time, but I think if you get well into a fiscal year and you haven't reached agreement, it is not just the 2-year budget you haven't reached agreement on, you haven't reached

agreement on a 1-year budget, which means you are in the same situation you are in today, operating on continuing resolutions.

I think that there is another alternative, which I think would undermine the benefits of biennial budgeting, which is waiving points of order and doing a 1-year budget because you can't reach agreement on a 2-year budget. If you do that, then you end up back where you have started, and if it is done in a timely manner, arguably you are no worse off, but you haven't gotten the benefits because you are going to be right back the next year doing the same budget negotiations and you won't have created that window of opportunity for management and oversight.

Mr. LINDER. In virtually every administration, the Congress and the administration have differences in their respective priorities and spending. They want to control spending in one area and add the spending in another, based on programmatic priorities.

Would our ability to get control of budget spending, get restraint in spending, be lost if you had the opportunity for supplementals the following year?

Mr. LEW. I don't think it is supplementals per se that are the threat to the discipline on spending. It is the people who write and propose supplementals that we have to look towards. The supplemental is no different than any other spending measure in terms of how we use it. If I can go back to the current system, we made a real effort in this year's budget to set discretionary caps that would enable us to live within the caps and to maintain fiscal discipline.

I think if you mark up a budget resolution this year, you face the challenge that I think is really the answer to your question. Pretending that the caps can be put in an unrealistic level will force the kinds of machinations that get around caps, that I think has given budgeting a bad name in the last few years.

I think if you have realistic caps, the fact that you need a supplemental doesn't make it worse. I think if you have unrealistic caps you are either underestimating what you are going to spend, because you are going to get around it, or you are implicitly signing on to policy that many of us find unacceptable because it would mean cuts that would not be tolerable, whether it is in education or other areas.

Mr. LINDER. You have made several points on the need for the administration, and particularly your staff, to have time for oversight and management, to manage programs. What you call "management," we call "oversight." Do you consider the oversight process in the legislative branch to be a burden or can it be helpful to you?

Mr. LEW. Well, I don't know that that is a choice. It is certainly a burden. I can say that preparing for an oversight hearing, it does take time and effort.

Mr. LINDER. Is it helpful?

Mr. LEW. I think it can be helpful. It is no more intrinsically helpful or unhelpful than our own internal review process. It depends how well it is done and whether it identifies issues in a useful way. The fact that it is a burden doesn't mean we shouldn't do it, but I think we have to understand it is a burden, and a lot of

burdens are good burdens. So that is why I say it is not really a choice.

I think that the oversight function ought to be viewed not as an inquisitorial function, but more as "how do we make a program work better" function. There has been a trend towards using oversight as a way of sort of catching the wrongdoers. I think that the most useful function of oversight is to engage in management reviews as sort of "we have designed these programs together, how do we make them work well," and if you find something that is wrong, then you deal with it appropriately.

I don't want to paint anything with a single brush. There are very useful oversight hearings that go on in many committees, but when you ask for my reaction to oversight, it is very much how it is done.

Mr. LINDER. We have had testimony before one of our subcommittees of this committee with respect to the ability to do oversight. We have had five chairmen before this panel say that it is very difficult to get information out of the administration to do their job, particularly with the Justice Department. I don't know if you are familiar with those comments that we have received.

Mr. LEW. I know that we have had a lot of experience in recent years where the requests for information have been at a level of detail that is unprecedented, and I don't think it is a level that necessarily gets at the policy issues that are really at hand. The amount of time it takes to assemble some of the data crosses the line from a burden that is a constructive burden to a real time problem. There are issues of executive branch privilege where certain internal documents, internal decision-making processes, I don't think are fully appropriate for discussion at hearings. The President is entitled to have confidential discussions with the people around him.

I don't know that there is a partisan issue. I mean, I am sure we will come up with examples of Democrat committees and Republican committees that have done the same thing. I think that the tendency to try and identify a not terribly useful piece of information that is very difficult to produce and make the charge of material nondisclosure has gotten to be a little bit of a concern.

Mr. LINDER. I can see that in some committees that were here testifying before us. I think the Resource Committee had a legitimate complaint on a simple request they were being impeded on, but thank you for your help.

The CHAIRMAN. Mr. Sessions.

Mr. SESSIONS. Thank you, Mr. Chairman.

Director Lew, I would like to go back to some of your earlier comments with my colleague, Mr. Moakley, and by and large, he asked the question when, when should we do this, and I found your response very interesting; and by and large, you said, well, we could do it now, Leon Panetta, when he became the Director, did a remarkable job then because he had the experience and the background, but I am not sure that the next administration, whoever that is, would necessarily view that as an advantage.

Now, that is a summary of what I heard you say. Can you elaborate a little bit more, because we are talking about the advantages

of this system, what it would provide; and then I heard you say, but maybe not in the hands of a new person.

Mr. LEW. That wasn't what I meant to be saying, Mr. Sessions. I think that what I meant to be saying was that budgeting for a single year, it wasn't until the middle of April that Leon was able to get a full year budget to the Congress. If it had been a 2-year budget, I suspect it would have been more like May or June. If it had been May or June, that would have closed the window for congressional action, I think unreasonably. I don't think Congress can wait until June to meet a September 30th deadline on appropriations.

I think that the first time biennial budgeting is put in place for anyone, ourselves included, it would have been a heroic effort to do it in the first year of a new administration. There are an awful lot of things that are different in the first year of an administration. First of all, the budget decisions are being made much later in the process. They are being made in late January and early February instead of November and December. I think when you switch for the first time to a biennial system, the bookkeeping all changes. You have real decisions for 2 years, and there are a lot of processes that have to be put in place that one could anticipate and do some of the groundwork early. But inevitably when that goes into effect for the first time it will require effort, substantial effort, to make it work.

I didn't mean to be suggesting that we could have done it but someone else couldn't. I think it is a generic transition issue.

Mr. SESSIONS. So let us go back to Mr. Moakley's question, and the question that I am posing. When? When should we do this?

Mr. LEW. I think in any problem that you try to solve, where there are transition issues, you can say, oh, let us not do it because it is going to be hard; or you can say, let us get started and provide for a reasonable transition so we can be there as soon as possible. We have supported biennial budgeting. We continue to support biennial budgeting, and think that the time for action is sooner, not later. What I was suggesting is that enacting it doesn't mean saying that on February 15th or whatever the date is next year there should be submitted to Congress a biennial budget. I don't think that is realistic.

I think April is a stretch. I think if you make the deadline June, it gives Congress very little time to work. I think that one of the things that we would want to work through with the Congress in developing a schedule is going through a lot of the nitty-gritty, practical considerations and reaching sort of a mutual conclusion as to what is realistic to do in the first year and the second year; and then in the third year, where you go to the full implementation of biennial budgeting, have it be a 100 percent in place. I don't have a schedule in mind today, but that is kind of notionally what I think would need to happen.

Mr. SESSIONS. So you believe that if this committee did move forward, if this House and the Senate moved forward, that it could be wise to do that now and then?

Mr. LEW. Absolutely.

Mr. SESSIONS. So you believe that now is the time and that the transition then and the understanding should be flexible, we

should understand that the time frame might change a little bit, but that it would be a workable thing for the next administration, whoever it is would have the advantage of this biennial budgeting?

Mr. LEW. With the understanding that, in the first year, I don't think it would be true biennial budgeting; it would be the beginning of a transition.

Mr. SESSIONS. Certainly we would make provisions, to where we were giving next year's budget early on.

Mr. LEW. I will just throw an idea out. You might want to have a later deadline for the biennial budget than you do for the first one, so that there is a little bit more—

Mr. SESSIONS. To transition?

Mr. LEW. You may want to have a notional second year budget that is not binding for the first year.

There are a lot of different ways to do it. I think the challenge is to get the processes up and running, to have the decision-making process start to work in 2 years rather than 1-year terms, to change some of the cultural parts of the budget process that are slow to change. It is not just writing it down on paper. It is changing the way a lot of people in a lot of places do their work.

Mr. SESSIONS. Good. And now is the time?

Mr. LEW. It will just take longer if you wait.

Mr. SESSIONS. The second part is, we focused a lot—and you have in your testimony—on the process that Congress goes through.

Can you give us a little bit of insight about the office that you hold as Director of managing the money, managing the agencies and their performance, what would be an efficiency that would be gained directly that you see within agencies?

Mr. LEW. Within agencies?

Mr. SESSIONS. Sure, which is your job.

Mr. LEW. I think that from an OMB perspective, we don't have a separate management process. It is an integrated budget and management process. When we do our budget reviews, we discuss the management issues simultaneously with the budget issues. And we have in our budget 24 priority management objectives which are very closely tied to our budget objectives, something I am very proud we have been able to accomplish in the last few years, to not have sort of abstract management principles, but real, tangible goals that are tied to the budgetary priorities that we have. And we have made progress on a good many of them.

I think that if we had more time, we would be able to work at a senior level on more issues like that with the departments. I think that we have real benefits when we have senior-level attention to those kinds of issues, whether it is our experience with the INS who are working together from the senior levels on down—I mean the Attorney General and myself right down through the budget offices.

We made a lot of progress clearing up the backlog of people who are waiting to become naturalized Americans. It involved coming up with a management plan. It involved coming up with a personnel plan. It involved having the money behind it. It wouldn't have happened if it had not been involving the senior officials in both departments.

There are only so many of those things you can do when most of your year is spent on the process of working through, either internally within the administration or in negotiations with Congress, the budget funding levels, and I think that the notion of expanding those kinds of opportunities for each one you do, it is a major problem that you have a good chance of solving.

Mr. SESSIONS. I thank you for being here today, and I will tell you that I believe President Clinton is well served by your duty to our country; and I appreciate your being here.

The CHAIRMAN. Mr. Goss has one more.

Mr. GOSS. Thank you, Mr. Chairman. I wanted to follow up, if I might, on just the point you made responding to Mr. Linder's question about oversight.

We have a lot of reason to believe that oversight can be viewed by different perspectives, where you are in governance, and you said that you are a little concerned that our focus on catching wrongdoers was misplaced; and I would say that it is misplaced if it is involving partisan politics, if the oversight is being done strictly for partisan political reasons. I would agree and I share, I think, what is a universal concern that we not contaminate the substance of government with too much partisanship.

But I am concerned that anybody would use the allegation that it is partisan, when we are trying to make a substantial oversight review of a matter and we have found time and time again that we do a very high percentage of our business on the Hill in public session, open door, and the executive branch does a very low percentage of its business necessarily in public session, usually behind closed doors, that creates clearly a job. And quite often when we do the job well, using the tools, the GAO or the various organizations we have here, to pursue these matters of oversight, we find we get information; and then if we can't get the follow-up information from the executive side of government, we become frustrated, usually by that time the media has got it, because we do a high percentage of our business in public.

So the question then is, what do you do next? One of the reasons I am for biennial budgeting is, I would like to have the time to consider what do we do next when we get in that consideration? I wonder if you have an observation on that relative to the response you made to Mr. Linder.

Mr. LEW. Well, I guess my response—I personally have a very low tolerance for wrongdoing. I don't mean to be suggesting that you or we shouldn't be concerned about it. What I meant to be suggesting is that most management issues that we need to work through don't involve people who are trying to do bad things or who even did things that were wrong. It is just problems that are not "front page of the newspaper" problems that you need to spend time working through to make things work better.

I think that the question of what you do when you find out things are wrong, whether it is because a process doesn't work or some people did something they shouldn't have done, is the hardest part. At some point, obviously, if it is a question of real wrongdoing, it becomes a legal question, but from a perspective of management and program oversight, it is a question of what in the

structure of a program needs to change to create a higher likelihood that the job will get done.

I think there has been a very useful increase in focus on performance measures. I would just note this is kind of similar to my reaction to Mr. Linder's question. I am very concerned that as we focus on performance that we not make it a club we use to say to agencies, you failed to meet your standards, we are going to take your money away.

Mr. LEW. Having performance measures work requires having people make an honest appraisal and assessing realistically what they could have done better with the opportunity to fix it. And I think the management and oversight process has to be aimed at how you get things fixed, not how you take people's money away or you find somebody that did something wrong.

If people did something wrong, the law should be used to take the appropriate steps. In order to make programs work, you have to have a window where you identify a problem and you try and fix it. I don't mean to suggest that it is all partisan. It is something about the high-pressure environment in which we govern is focused more on finding the problem than providing a window to solve it.

Mr. GOSS. I think that is a good answer. I think we spend an awful lot of time, way too much time, in this, what I will call, standoff between the circle-the-wagons mentality and the gotcha mentality, and I think that is the mentality of this town, and I think that there is such waste of time in that effort. On the other hand, there are very legitimate questions. Somehow, somewhere somebody has to lead us out of this, and maybe if we get into biennial budgeting, we can have the time to figure out how to do this rather than responding to what is in the newspaper today.

Mr. MOAKLEY. Would the gentleman yield?

Mr. GOSS. Of course.

Mr. MOAKLEY. I think it gets down to what I said. I think most of the problems are the policy differences instead of a process. What do you do in a situation, should we do this or that? That is where the fighting takes place, and I think that is where the slow-down comes, the way that the Congress handles some of these things based on policy differences and not the budget process.

Mr. GOSS. I would agree that there is some of it that is policy difference, and I think we all benefit from having an airing of policy debate. That is what we all come together to do, and that is wonderful.

I am talking more about process, however, and it does happen this way. I will give you a case in point. There is an alleged activity going on called Echelon. Echelon involves something that is near and dear to all Americans. It has to do with "is Big Brother eavesdropping on Americans?" and the answer is, in my view, no. But nevertheless, the perception is that the answer might not be no. In order to satisfy properly the people who are asking those questions, you really have to get down pretty far into the detail of this and respond to case by case of whatever allegations may be.

My view is if you are blocked from doing that, it creates a suspicion. That is a process problem, not a policy problem. You have to be able to get through that process, and you have to have ulti-

mate candor in the oversight committees. When that candor breaks down, you have a breakdown in process, and I called it circle-the-wagons, gotcha, either way. I am hoping that we are going to buy some time through the Chairman's leadership on this biennial budgeting so we can get out of that mentality and do something a little more constructive.

The CHAIRMAN. Mr. Linder.

Mr. LINDER. I just want to follow up on comments on the Results Act because my subcommittee will be having a hearing on the 22nd of this month. Each of the authorizing committees tends to look at the Results Act in three different prisms. We would like to formalize in some way to say what was your mission when you asked for this money, how many people were you trying to serve or how much were you going to spend, and when they come back, did you do it. Not an angry argument about we are going to take your money away, but a formalized plan for the agencies who, because we haven't had the time or been as perspicacious on oversight as we should have been. Some agencies take this more lightly than others do, and if we can take some formal way so that all agency heads would respond in the same way, and all authorizing committees look at it in the same light, I think we could have a legitimate discussion on whether a program was worth the money spent.

There are going to be changes from time to time in these programs and the needs of the programs, but the Results Act was a good idea which has not come to fruition yet.

Mr. LEW. We worked on the development of the GPRA, and we believe in the goals of it.

I would make a couple of observations. First, the challenge of measuring performance, measuring results is different for every agency and every program. We have tried to work with each of the agencies to develop meaningful measures, and I would say in some cases it is very hard, legitimately very hard, to identify the tangible outcomes. Take a scientific area, is your measure breaking through with Nobel-quality research? Is your standard having well-managed research projects with or without breakthrough results? It is very difficult.

I think that having kind of a mechanical approach, which I don't suggest that you have taken, you have taken a very much different approach, but to have a mechanical approach that you set a standard and you don't meet it, there are consequences, kind of blurs the fact that there are hundreds of different ways that results can be measured. And if you want agencies to do it right, and you want agencies to not circle the wagons as Mr. Goss said, you have to create kind of a safe zone to discuss what you do with your own measurement of your results, give you some freedom to fine-tune your measurement if you designed your measure wrong, not just have immediate dire consequences because you failed to meet what turned out to be a badly defined measure.

I have been trying through our internal executive branch efforts to, with each agency, make this part of the culture that they do their budgeting and run their programs. I think we have made tremendous strides. You can have a conversation that is a results-oriented conversation in virtually any agency, which you couldn't do 6 years ago.



I think to say we are far down the road towards having crisp mechanisms that you can use for budgeting is an exaggeration. But I think it is an important tool that needs to be given time to work properly, and I would look forward to working with you and others to do it in a balanced way.

I react to the suggestion that others have made, if they don't perform, we should take their money away. The circle-the-wagons mentality will kill any effort for success if that is the approach we take. As a practical matter, I think you need to have a much more balanced approach than that.

Mr. LINDER. Thank you very much.

Mr. MOAKLEY. Mr. Chairman.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. I agree on the problem of not getting all of the information, but I don't see how the biennial budget can fix that. That is between the branches. I don't see how this takes any more time away from you. You still have the oversight powers to do it.

Mr. GOSS. I would say if you have more time, which I hope the biennial budget will give us, to set up the safe harbor process that Mr. Lew is talking about, you will get a good reward from it. I will say, the committee I chair, which is probably as nonpartisan a committee as you can find in Congress, and for good cause—

The CHAIRMAN. Next to this committee.

Mr. GOSS. Yes, of course. Yes, next to this committee. In fact, the comparison is wonderful. We do have a safe harbor and good oversight and working trust, and it is that way because we have been able to spend the time together and work out the processes, and I think that is the highest priority. But not all of the committees are as small and select and compact and have that capability. I wish other committees could replicate the things we use. I would like to provide them the time allowance and say create your safe harbors and create a trust and working confidence so that you can do your oversight job in a fair way without being blocked with the wagons or having the people who are testifying think, oh, oh, they are going to figure out a way to get me and hang me. That is all I am looking for.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. I think you have created that safe harbor using annual authorizations.

Mr. GOSS. Remember, however, that we have a clear mandate to get our authorizations done so we work at a little tighter pace on our authorizations. We are the only committee that has that requirement. I only have one job as a chairman, and that is get the darn thing done, and that means I have to create the atmosphere to do it, and the way I do it is creating this safe harbor. That takes time and constant management. You cannot just simply set up a system and expect it to work, because the personalities will kill it if you don't work at it. It is a little like a marriage, it really is. I don't want to marry the executive branch, but a pleasant courtship would be all right.

Mr. MOAKLEY. You would like to be there on the honeymoon.

Mr. GOSS. Probably, not necessarily.

The CHAIRMAN. Let me make just a couple of comments and throw a couple of questions to you.

First of all, on the issue of setting a date for the first year of an administration, there are a number of pieces of legislation for biennial budgeting that have been proposed that do address that. The question that is out there, what is that date going to be, and that is why from your initial remarks about the issue of flexibility, it seems to me that we need to spend some time and effort thinking about what that date would be.

Mr. LEW. I think there is a window because the proposals that I have seen have April. Later than April raises real questions about the workability of the congressional timetable. You are constrained on both sides.

The CHAIRMAN. That is right.

The other issue that I would like to raise is what you would see—how the government performance review timetables, how those would fit within the biennial budget.

Mr. LEW. I think you would clearly have an opportunity to try to alternate the emphasis in terms of performance reviews and budget reviews. I don't think that you would ever want to separate them. I think if you ended up having performance reviews be totally independent of budgetary considerations, it would be a step backwards. The challenge is how to switch the emphasis in terms of how much time you have to do both at the same time. And right now we have to try and fight to get the performance issues into the budget schedule. If we had a year when the budget schedule was less intense, we would have more time. But you have to do both simultaneously.

The CHAIRMAN. This has been a very interesting and helpful exchange that we have had. There are a number of members of the committee who are obviously not here, and we would like you to take some written questions which may come from them. I would also like to make a request that members of your technical staff work with us as we fashion this package. We want to address Mr. Moakley's concerns and some of the other concerns which have been raised by our colleagues as we proceed with what is obviously uncharted waters here.

Mr. LEW. We will try to be responsive.

The CHAIRMAN. Thank you for being here.

Our next witness is the Director of the Congressional Budget Office, our friend Mr. Crippen, who, unlike Mr. Lew, has many times testified before the Rules Committee on a wide range of budgeting matters, often on Friday mornings.

**STATEMENT OF DAN L. CRIPPEN, DIRECTOR,  
CONGRESSIONAL BUDGET OFFICE**

Mr. CRIPPEN. Good morning. We have a statement, which has been submitted.

The CHAIRMAN. Without objection, that will appear in the record.

Mr. CRIPPEN. Thank you. It is a good statement that will be seen as more succinct than what I am about to say.

I recalled, Mr. Chairman, as Mr. Moakley and Mr. Lew were talking, that in 1981 I was a newly minted Ph.D. starting to work for Howard Baker, and a number of my classmates and I had established a tradition in December of going sailing. Not long after I started for the Senator, I asked whether it would be possible to

go sailing in December. He said, of course, we are going to be out of session by Thanksgiving. So I made plans accordingly.

To make a long story short, by the time it came for me to go sailing, the Congress was still in session. President Reagan had vetoed a number of appropriation bills. He was about to veto a continuing resolution, and I went back to the Senator and told him that the time had come for me to go. He said, of course. We are almost done, and there are just a couple of continuing resolutions (CRs) to do. I turned to walk away, and he said, "You just made one mistake." I thought that was the end of my short career in the Senate. He said, "Like a damned fool, you believed me when I said that we were going to be out by Thanksgiving."

I tell that story for two reasons. First, the situation we find ourselves in is not new. These end-of-the-year conflicts over appropriations will take place under any circumstances. Second, President Reagan used the veto and the year-end train wreck to reduce spending. The conflicts we have been engaged in in the past few years arguably have been to at least change or increase spending.

I would say in this little example as well, those who assert that biennial budgeting would accede power to the executive, ignore, I think, the impact on the Chief Executive. That is why President Clinton and others have resisted things like an automatic continuing resolution because it does have the ability to alter power, but again, that depends on who is in power and on whether that is desirable.

In my discussions with Members, I think I have discerned at least three reasons behind the discontent with the current budget process. The first is the annual end-of-the-year mess. Second is lack of oversight, which we have talked about a great deal this morning. And third, the comment is often made that we spend our entire legislative lives doing budget, and that issue must also be addressed. I would like to make a few comments on each of these points, Mr. Chairman, and am open for whatever questions you may have.

Of course, the first issue—end-of-the-year train wreck—is not new. The last time we had 13 appropriations bills finished on time was almost a decade ago. The automatic CR is one way to prevent the end-of-year problem. There are other techniques, other process reforms, that would help that as well.

We have, I think, over the past few years had less and less oversight. It wasn't always so, although that is not to say that we have ever had sufficient oversight, and maybe there is no such thing. But oversight is hard work, and I think the amount of oversight has been declining. In that sense, the prospect of the two year budget might be quite useful and encouraging.

I would also note that as you discussed the Performance and Results Act in the last moments with Director Lew, this year is really the first year for full reporting under that act. Reports are due at the end of the month. It would attest to the ability of the executive branch to critique itself. Are they meaningful, are they open, are the wagons circled or not?

Second is the Congress's ability to respond to the reports. Will there be oversight hearings based on those reports, and will the reports be a useful management tool? We have a real, live experi-

ment starting in a few weeks on both of those issues. Looking at oversight issues, I would encourage you to look at how the reports are received and used.

Third, the constant complaint that all we do is budget stuff, has been around since the Budget Act was enacted 25 years ago. I first encountered it in 1981, but it was not new then. I would suggest that perhaps it is the constraints of the budget process, not the time involved, that is the real rub. People don't like the budget process because it defeats or deters or makes it harder to do things that they would otherwise like to do. So the constraint may not be the core time or the time involved but rather the questions about resource allocation and the policy issues.

However, I would say, in conclusion, Mr. Chairman, that we are in a new world. We have these ongoing surpluses and rapid economic developments that we can't keep up with in our own forecasts of spending and growth in the economy. We have the impending retirement of the baby boomers and the need to reform Social Security and Medicare. So if biennial budgeting reduces the number of train wrecks, promotes more oversight, and allows more time for nonbudget issues, then it is worth a try, at least temporarily.

We should remember that the reason all 13 appropriation bills were completed on time in 1988 was because the Congress and the President struck a two year budget deal. So there is some suggestion, at least, that it worked in those circumstances, and it might again. But it is a process change to address what is largely political problems, and I don't mean partisan but rather power and policy, as Mr. Moakley has said; that is, thin margins in both bodies, and a President of the other party, and the constraints inherent in creating and implementing a budget. We only know, however, that if we try a different process that there will be unintended consequences, and so we need to be cautious about how we proceed.

I will conclude with a second story from 1981. Howard Baker's first vote (and what turned out to be his last vote as Majority Leader) was on increasing the debt limit—something that was difficult to round up 51 Republicans in the Senate in 1981 to support. Ultimately he did, but it was a messy process, and he looked with much favor on the House process. I think it is called the Gephardt rule, in which a debt limit increase is deemed approved when the budget resolution is passed, and so the House as a regular matter does not vote on debt limits.

So Baker sent me off to talk with Bob Dole to see if we couldn't implement the Gephardt rule in the Senate. After some backing and forthing, Dole looked at me and he said, "You know, someday we are going to be back in the Minority, and we don't want to foreclose all these opportunities of legislating by other means." And so he was not only prescient but resisted the change, and indeed the Senate still has to vote on debt limits. All of that is to say that one needs to be cautious about making these changes.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Crippen. You continue to provide very helpful input to this committee and this entire process.

[The prepared statement of Mr. Crippen follows:]

**Statement of Dan L. Crippen,  
Director, Congressional Budget Office**

Mr. Chairman and Members of the Committee, thank you for giving me the opportunity to testify on the idea of converting the annual budget process to a two-year cycle. Under the major proposals for biennial budgeting, the first session of each Congress would be devoted to budget action—the President's budget, the budget resolution, and appropriation and reconciliation bills. The second session would focus on oversight of federal programs, authorizing legislation (laws that set underlying policies for federal programs and that are generally a prerequisite for appropriations under House and Senate rules), and legislation needed to adjust budget laws for changing conditions or unforeseen events.

Biennial federal budgeting is a relatively long-standing idea (specific proposals date back to the late 1970s), and the battle lines over whether it should be adopted have been clearly drawn for some time. Proponents are convinced that devoting a separate session of Congress to authorizing and other nonbudget legislation would improve oversight of federal programs and ease the stresses under which lawmakers labor to complete action on the budget—especially appropriation acts. Opponents are as firmly convinced that a biennial budget cycle would lead to the use of large supplemental appropriation bills and other ad hoc measures to deal with unforeseen budget and economic changes and would shift the balance of budgetary power to the President.

My testimony this morning will make the following points:

- \* The success of a biennial budget cycle would depend on whether lawmakers were able to separate budget and nonbudget issues in the way that proponents envision. Various practical hurdles could make separating the two types of issues difficult.
- \* Biennial budgeting could make two major improvements to the budget process. First, it might give lawmakers and agency officials time to evaluate federal programs more effectively and help them carry out the requirements of the Government Performance and Results Act of 1993 (GPRA). Second, it could help ease the annual logjam of budget legislation that has contributed to recent difficulties in the annual appropriation process.
- \* A biennial budget cycle would not come without costs. Members would need to weigh the potential gains from more time for oversight and a more efficient appropriation process against the potential drawbacks of weakened Congressional control of the budget, less accountable federal agencies, and a budget process that might be less responsive to changing conditions.

#### **THE DIFFICULTY OF SEPARATING BUDGET ISSUES FROM OTHER ISSUES**

The idea that Congressional oversight and the budget process will improve under a biennial cycle rests largely on the assumptions that public policy issues can be divided into budget and nonbudget components and that each can be confined to a single session of Congress. A number of practical hurdles could make it hard to separate the two types of issues and thus could jeopardize the benefits of shifting to a two-year budget cycle.

All of the major proposals for a biennial process distinguish between budget and nonbudget issues by specifying a timetable of budget actions in the first session of each Congress. Those actions—submitting the President's budget, adopting the budget resolution, and enacting appropriation and reconciliation acts—would generally parallel the current yearly schedule. The second session would be reserved for authorization laws and for legislation making any necessary adjustments to budget laws enacted in the first session or in earlier years. To enforce the separation between the budget and nonbudget sessions, some proposals would also bar the Congress from considering any authorizing legislation or nonreconciliation (free-standing) revenue measures during the first session until it had finished acting on the budget resolution, all regular (biennial) appropriation acts, and any reconciliation legislation.

Although distinguishing between budget and nonbudget legislation in that way sounds straightforward, it could be confusing and might create new difficulties in the budget process. For example, authorizing legislation can sometimes include significant amounts of mandatory spending. In addition, tax legislation is often considered in the form of free-standing bills outside the reconciliation process. Legislation in those categories raises certain questions. For example, should those types of measures, even if they include significant spending or revenue effects, be

confined to the nonbudget session? If the budget effects of such legislation are offset, so there is no net change in the deficit or surplus, should the legislation be considered budgetary or nonbudgetary?

The rules governing reconciliation in the Congress raise additional issues. In general, reconciliation is a process for changing permanent spending and revenue laws to make them conform with the budget resolution. The rules of that process are intended largely to ensure that reconciliation bills are consistent with the directives in the resolution and to expedite their consideration. Those rules, especially in the Senate, make reconciliation bills important legislative vehicles for changing federal programs and revenue laws. But they may also limit the extent to which broad, structural reforms in federal programs (such as those dealing with long-term imbalances in federal retirement or health care programs or certain proposals to reform the tax code) can be made through the reconciliation process. Such reforms may have significant budget effects. If that type of reform legislation may not be included in a reconciliation bill, should it be considered budgetary or nonbudgetary under a biennial budget cycle?

In part, the difficulty of distinguishing between budget and nonbudget issues may be related to the nature of the legislative process. Legislation is divided among Congressional committees with jurisdictions that do not fall neatly into budget classifications. Because biennial budgeting relies on distinguishing between budget and nonbudget issues, lawmakers should carefully evaluate the possible unintended consequences of making that distinction. One possible outcome is that the legislative and budget processes could become more rigid if rules to enforce the distinction were put in place.

#### POTENTIAL IMPROVEMENTS UNDER A TWO-YEAR BUDGET CYCLE

Proposals for biennial budgeting have been prompted largely by Members' understandable frustration about the extent to which budget issues have come to dominate the annual legislative agenda. Increasingly, Members worry that budget matters are crowding out other, equally important duties, such as Congressional oversight. As a result, they say, the Congress either ignores those other duties or conducts them as part of its annual action on appropriation bills. But in their view, the rigors of annual budgeting tend, first, to make oversight conducted at that point more ad hoc and less effective and, second, to bog down appropriation bills with unrelated and controversial issues that ought to be considered carefully, systematically, and separately.

##### Improving Oversight

Some evidence appears to support the view that Congressional oversight by authorizing committees has suffered. Over the past five years, the total amount of unauthorized appropriations (appropriations for which the applicable authorization law has expired) has averaged about \$100 billion annually. That amount—which represents nearly one-fifth of total discretionary budget authority—is spread over some 100 different laws covering the jurisdictions of nearly every authorizing committee.

Several factors are likely to have contributed to the problem of unauthorized appropriations. Prominent among them is the difficulty that lawmakers face in reaching a consensus about the controversial issues that often arise during Congressional action on expiring authorization laws. A biennial budget cycle would not make it any easier to reach a consensus on those issues. But it might make it easier for lawmakers to separate policy and funding decisions and thus increase opportunities for authorization laws to be enacted in a timely fashion.

The Government Performance and Results Act adds an important element to the debate about possible improvements to Congressional oversight under a biennial budget. Under GPRA, federal departments and agencies are required to establish strategic goals, performance plans, and performance measures for federal programs. Lawmakers are supposed to use that information to evaluate those programs and to allocate federal resources in the budget process. A governmentwide performance plan has been included in the President's budget for the past three years. By March 31, 2000, federal agencies are required to submit the first reports that evaluate their progress toward meeting the performance goals set out in their 1999 performance plans.

With the GPRA framework of reporting and other requirements nearly phased in, lawmakers now face the issue of how best to integrate that information into the budget process. One question involves whether the annual budget cycle provides the best setting for making effective use of GPRA performance data. Although the law's ultimate goal was to have performance data used routinely in the budget and appropriation processes, lawmakers may find it easier to employ

that information if they have a session of Congress devoted principally to oversight and evaluation. In addition, authorizing committees have an important role in evaluating and using agency performance data and may be better able to apply that information in a nonbudget session as they craft authorizing statutes.

#### **Improving the Appropriation Process**

In some respects, biennial budgeting would not depart significantly from current practice. Although lawmakers act on the budget annually, most spending (principally for entitlement programs and net interest) and revenues flow from laws that are either permanent or remain in effect for more than one fiscal year. In the appropriation process, however, lawmakers both act and provide funds one year at a time. Thus, a biennial budget cycle would be likely to have its greatest effect on that process.

Lawmakers have grown increasingly concerned about the difficulties and delays that accompany the appropriation process, particularly during the past two years. Congressional action on most of the appropriation bills for 1999 and 2000 occurred behind schedule, with final action completed well after the beginning of the fiscal year. Most of the major appropriation bills for those years were incorporated into a single consolidated appropriation act, which included numerous authorization and policy provisions generally unrelated to the routine and ongoing appropriations for most federal agencies.

Those problems are not new. As with the difficulties in enacting authorization laws, other factors—especially underlying political disagreements—may be the root cause. But a biennial cycle of regular appropriations could give lawmakers and other officials enough time to resolve those disagreements and could make the appropriation process smoother and more efficient.

In particular, biennial budgeting could have two broad benefits for the appropriation process. First, if lawmakers were successful in separating budget and nonbudget sessions and in enacting authorization laws in a timely fashion, they might be less likely to add controversial policy riders to appropriation measures. Second, oversight during the appropriation process might actually improve. For example, the appropriations committees could focus more closely in the nonbudget session on how appropriated funds were being spent, which could help them prepare for the next two-year appropriation cycle.

#### **POTENTIAL PROBLEMS OF A TWO-YEAR BUDGET PROCESS**

Acting on the budget every other year would have drawbacks. Members would need to weigh the potential gains described above against a potential decline in Congressional control of the budget, the effect of using outdated budget information, and a less responsive budget process.

Although biennial appropriations might have payoffs in improved planning for federal agencies and more time for Congressional oversight, they might also diminish Congressional control of spending because lawmakers would have half as many opportunities to adopt regular appropriation bills. Moreover, Congressional oversight that is divorced from the purse strings may be less effective than oversight that is conducted through annual appropriation hearings linked to agencies' funding requests.

Certain appropriated programs with stable or predictable funding patterns might be good candidates for two-year appropriations. But the current annual process already accommodates multiyear appropriations. Also, the benefits to the executive branch of having more time to plan and prepare appropriation requests could be offset by the uncertainty of making those requests for a longer period. Consequently, agencies might be more likely to need or request supplemental appropriations.

Although most spending and revenue laws cover multiyear periods, annual action may be needed to ensure the use of up-to-date budget and economic information. If the economic and technical assumptions underlying the two-year budget were not revised before the end of the biennium, the information and estimates that policymakers used would become less reliable. Consequently, budget enforcement procedures and cost estimates for pending legislation would be distorted. That problem could be alleviated by including procedures in the budget resolution that would allow budget totals and allocations to be updated automatically for changing conditions. But if conditions changed significantly, such an automatic process might lead to far different budget outcomes than the resolution originally recommended.

Considering budget matters every other year could also make the budget process less responsive. For example, if disagreement about budget policies produced a stalemate beyond the first year of a biennium, the Congress and the President would have no formal mechanism for carrying on the budget debate the following year. Policymakers, knowing they were acting under a two-year cycle that called for budget action only in the first session, might be more inclined to resolve budget conflicts before that session ended. But if they did not resolve those conflicts at that time, they would have to pursue the budget debate in the next session in an ad hoc manner. A budget process that is less responsive could be particularly problematic in a period of rapid changes in the budget and economic outlook—such as those that have affected projections of budget surpluses for the past three years or so.

Finally, it is unclear whether the root cause of the problems cited by proponents of biennial budgeting is the annual budget timetable or other factors that would be largely unaffected by a switch to two-year budgeting. For most of the past two decades, the Administration and the Congress have been controlled by different political parties, making basic agreement on major issues, including budget issues, difficult to reach. That disagreement, not the budget cycle, may be the biggest hurdle to smoother budget deliberations in the Congress.

#### CONCLUSION

Supporters of biennial budgeting are increasingly concerned that the requirements of the annual budget process are overwhelming policymakers and public officials. They argue that the seemingly incessant demands of that process detract from other functions of government—such as long-range planning and oversight—that are equally, if not more, important. If budget and nonbudget issues can be separated in the legislative process, biennial budgeting could help ease those problems, improve oversight, and relieve the pressures on the appropriation process. However, potential gains from changing to a two-year cycle could be offset by the loss of Congressional control over the budget and by the effects of changing conditions on the budget process.



The CHAIRMAN. I will say that I recall many discussions that I have had with Howard Baker in which he has long been an advocate of making this a part-time Congress.

I will tell you that it was in the first instance of your three that you outlined, which was the waning hours of the first session of the 106th Congress, that I successfully garnered 245 cosponsors calling for the biennial budgeting process.

Mr. CRIPPEN. That was not an accident.

The CHAIRMAN. That was part of our timing process here.

You have very important responsibility at the CBO, and I am interested to know what impact the biennial budget process would have on your work as Director of the CBO.

Mr. CRIPPEN. It would obviously depend a great deal on how you chose to implement the two year budget. We will do whatever the Congress wants and needs in that process. I would hope and anticipate—whether it is a formal role in terms of another budget resolution or not—that there would be ample opportunities to update the semiannual reporting that we do now on baselines and economic changes and other things.

At the moment things are changing quickly enough that a few months makes a lot of difference on a budget outlook, even for the current budget. The revenues for this budget year, for example, are running higher than we anticipated even as late as December. That does not mean that they are going to be higher, but at the moment they are. What that portends for this year could be important, but it could be important for future years as well.

My point is that in a two year process, there would still be opportunities for the Congress to incorporate updated estimates for at least the first few years in which these things are changing quite rapidly. I don't anticipate, however, having said that, that there would be a great deal of change in the overall workload. We put out three annual reports, and I would anticipate that we will continue to do that. There would be some midsession reporting that would go away, but I don't think that the workload would change dramatically.

The CHAIRMAN. In your work with the executive branch, do you have any recommendation as to what the time frame would be for the first year of a new administration as far as its submission?

Mr. CRIPPEN. I had, frankly, not thought all that much about the implication of having a new President and a new budget process simultaneously. Clearly you could enact the law this year and have its first true effective biennial date be two or three years into the new President's Administration. Just as the Congress did back in 1974 and 1975 when it passed the original Budget Act, there was a one year practice run in which the requirements were not binding, and everyone went through the paces. Likewise, it might make sense to enact the law this year and make it—effective officially, fully effective—the third year into the President's term.

The CHAIRMAN. With your tie to the first branch of government, I am wondering whether or what thoughts you have on the argument that opponents of biennial budgeting make that we are acceding authority to the executive branch?

Mr. CRIPPEN. You have subsequent witnesses here who have that belief more than I do. Having worked on both ends of the avenue, with the Congress and the President, I think that it is, frankly, the other way around—that the executive branch would lose a modicum of power if you made appropriation bills less recurrent, more combined, and only once every two years do you have these end-of-the-year sessions or negotiation. But I think that is why the Administration has resisted efforts by the Congress to have continuing or permanent continuing resolutions or automatic continuing resolutions so that you have a crisis of sorts to create an atmosphere in which to reach conclusion on these issues. They well may find another forum.

The CHAIRMAN. What about the issue of their responsiveness?

Mr. CRIPPEN. I find it hard to believe that any agency would stick its finger in an appropriator's eye just because it is going to be 18 months before they see them again. Most of the management is year-round; it is not just in oversight or before appropriations committees. There is ongoing work between the appropriations staff, some of your staff, and agencies. I don't think that lengthening the leash will have an impact.

The CHAIRMAN. Thank you.

Mr. Goss.

Mr. GOSS. Thank you. You probably are in as good a position as anybody to judge in terms of time and effort the people who have put together budgets, whether there would be tangible savings if we switch the system now. Do you think that there would be tangible savings?

Mr. CRIPPEN. I suspect there will be some. We are reacting to budgets, not developing them. However this system works, we will be in that same mode, presumably. But I have worked in the executive branch on putting budgets together, and indeed it is a very time-consuming process. That is not to say process is not a useful, but I can't imagine that it would not save some time to not have to go through all of it every year.

Mr. GOSS. I am certainly not wedded to change for change's sake. We are trying to see what the pluses and minuses are. I have assumed that there would be a time savings.

The other thing, you are in a very good position also to make any comment you would like on the authorization question that I asked Mr. Lew. I am a little puzzled sometimes about why we seem to have slipped away from the authorization process. I would be curious to know whether you think it has anything to do with the budgeting process.

Mr. CRIPPEN. I am not sure that I know the cause. There are different causes and different reasons as to why these things happen. In some cases, people feel it is not needed; that is, the program will go on, and therefore we should not break our backs reauthorizing. But it is an increasing problem if you measure it by the amount of money that is being appropriated that has not been authorized. That amount seems to be growing, just as I think—and this is a casual observation—that oversight in general has declined in authorizing committees. I don't know the reason for that. Until you know the reason, it is hard to have a solution. If time is indeed a factor, and if the authorizing committee chairmen are more than

willing to do oversight, then a two year cycle might help. I suspect there are lots of reasons why oversight has declined.

Mr. GOSS. I think time is a factor. One of the aspects of oversight is accountability, and sometimes when there is no authorization, accountability gets a little blurred, too.

Mr. CRIPPEN. Clearly, these processes were meant to complement each other—the authorizers to do both oversight and set the parameters of the policy, and the appropriators to set priorities among available dollars. So the processes were intended to be fully complementary, and I think that when they work, they are complementary, as in your case with the intelligence authorization and appropriation.

Mr. GOSS. I have no objection to an appropriation of an unauthorized amount subject to the authorization of that amount. That is not a handy way to do it, and probably not the smartest way to do it, because it leaves a lot of uncertainty down the road, and if you are moving numbers and dollars around, you don't want that uncertainty. But it seems to me even that would be an improvement over the nonauthorized approach; do you agree with that?

Mr. CRIPPEN. Yes, I agree. I think that what we are discussing are mechanisms by which we can not only produce better decisions and more efficient decisions, but also recognize that we need to keep, as Senator Dole reminded me back in 1981, the ability to resolve conflicts. Given the thin margins you now have and the differences in parties between the executive and the congressional branches, what mechanisms are there to force conclusions, to have policy or conflict resolution? It is not just that you can fully eliminate conflicts. You may have better ways to do that, but it is not possible to fully eliminate those conflicts and the discussions that need to take place.

Mr. GOSS. Thank you very much.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. No questions.

The CHAIRMAN. Thank you very much. We are going to have some written questions to submit to you.

Mr. CRIPPEN. We do have some ideas about how it can work. Thank you.

The CHAIRMAN. We are going to bring our last two witnesses up together, Sue Irving, Associate Director of Budget Issues of the General Accounting Office, and Lou Fisher, senior specialist in separation of powers at the Congressional Research Service. We welcome both of you and thank you very much. You are certainly free to summarize your remarks as you see fit. Ms. Irving.

**STATEMENT OF SUSAN J. IRVING, ASSOCIATE DIRECTOR, FEDERAL BUDGET ISSUES, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, UNITED STATES GENERAL ACCOUNTING OFFICE**

Ms. IRVING. Thank you, Mr. Chairman and Mr. Goss and Mr. Moakley. It is a pleasure to be back. As you all know, I actually like talking about the budget process, and I am delighted to come back and join another group. As you noted, I would like to have my whole statement put in the record.

I would like to stand back a minute and remind all of us that part of why the budget debate is always going to take a long time is because it is through the budget that we resolve the often conflicting demands and views of the American people about the role of government. You all live in this world, and you know your constituents want a smaller government as long as it fixes all of their problems. Someone that I worked for once said all of American political thought could be summed up in two sentences: Get the government off my back, and there ought to be a law.

I think in a very real way when you talk about your frustration about how long the debate takes, what you are really saying is that you seem either to debate numbers without context or to debate the same thing over and over again. I know Senator Domenici used to talk about having to fight about whether the space station should be continued first on the budget resolution, then on the authorization bill and then on the appropriations bill.

So I am not sure that the issue is really that the budget takes too much time as much as it is that the debate may not focus on the important issues and how can you think about restructuring it to do that.

The other point I would like to make is that in a very real sense you stand at the threshold today. Having slain, at least for the time being, the deficit dragon, you have the ability to stand back and look at two other very important things. The first is how do you think about the long-term costs of the commitments the government makes.

We know that the good news is my generation is getting older. The bad news is we are getting older, and that demographic tidal wave, absent policy changes, will overwhelm either the surplus or at a minimum the flexibility to do anything else in government. When you are fighting the annual deficit problem, you don't have time to look at that issue and now you do.

Second, you also are just beginning to reap the benefits of some far-sighted laws you all enacted: the CFO Act, the Government Performance and Results Act, and the Clinger-Cohen Act. These are just beginning to bring to you some performance and cost information. I think it is fair to say, unevenly done and unevenly used because it takes time to adjust, but it is beginning.

These issues confront you whether or not you change the cycle for the budget process. Whether you stay at an annual cycle or go to a biennial one, you should think about how to use that information in cross-cutting ways, because I would argue that your current authorization and appropriations committees are quite well suited to do targeted oversight and program-by-program oversight.

When Director Lew talked about working very hard to prepare for hearings, I thought to myself, "that sounds like oversight to me." But both Congress and the executive branch have a harder time doing cross-cutting oversight. We have quite appropriately in this government assigned many agencies and used many tools to address the same problems. We use tax, we use spending and State grants, we use regulation, and we run them through different committees and different agencies to get at a number of objectives, everything from counterterrorism to health to—I remember Mr. Mica

trying to look at trade policy and figuring out there were 19 subcommittees involved in it.

It is not clear how you do this kind of cross-cutting oversight on either cycle at the moment, whether you stay with annual or move to biennial. Mr. Walker, in testifying before the Senate Budget and House Budget Committees last month, suggested that you think about whether vis-a-vis oversight you are in a similar situation to what you were vis-a-vis budget before the Budget Act. And if so, whether you might develop something like a performance resolution as an adjunct to the budget resolution. This would not have numerical rigid targets—you didn't feed this many people, we are going to cut your budget. Rather the question is, should the views and estimates process be modified to have agencies suggest targets for cross-cutting oversight.

To the extent that you look at biennial budgeting as an attempt to think about better or more systematic oversight, it won't happen by itself in any process. You have to think about how to structure it given the fact that there are disparate jurisdictions.

Your staff asked me in my focus on biennial budgeting today to talk about a couple of things in particular. First to note that Congress is actually pretty good at giving multiyear money and different timing of money when it thinks it is necessary; the frequency of decisions is not the same thing as the periodicity of money. Sometimes the impression is given that the only way to give the agencies advance planning ability or flexibility in the use of their funds is to change the appropriations cycle. However, all of these biennial budget bills propose two 1-year budgets. We are not going to 24-month fiscal years in any of these proposals.

The other thing that your staff asked me to discuss was the experiences of some of the States. We are currently looking in depth at three States. Let me start with a couple of caveats. State budgets play a very different role than the Federal budget, and State procedures and policies cannot be translated wholesale to the Federal Government; I would not want to be heard to suggest that you could make your decisions based on the State experiences. Rather, as you think about what it would take to implement this if you chose to do it, some of the mechanisms that the states have used should either give you ideas or pause. I think that one thing that Director Lew and I absolutely agree on is this: The devil will be in the details. How you decide to make biennial budgeting work will determine whether it transfers power, how it works, and what you get from it.

The three States of particular interest, I think, are Ohio, Arizona and Connecticut; Ohio because it is the only large State that has both an annual legislature and biennial budget process, and it always has; Arizona because it just last year moved its budget from an annual to a biennial cycle with the avowed intent and a structure for seeking cross-cutting oversight in the even-numbered year. Now, in Arizona they only appropriate half their money. Federal money flows directly to the agencies, as does any money created by voter referendum or any user fees.

The third state, Connecticut is of interest because about a decade ago it went to biennial with the idea that it would increase oversight. The Governor is supposed to propose a biennial budget every

odd-numbered year, and they are supposed to do nonbudget substantive reviews in the even-numbered years. However, in the last decade in every even-numbered year the Governor has had a fairly significant number of policy proposals and budget revisions; this year in a \$10 billion budget, the combination of gross technical changes and gross policy changes, that is both pluses and minuses, has been more than \$750 million. Based on our preliminary conversations, Connecticut has not, in fact, done oversight in the second year except in the context of the appropriations process where they were doing it before.

None of these States separate authorizations and appropriations. Most States have one omnibus appropriations bill or a few. In most States the Governor has a great deal more power than the Constitution envisions for the President.

In Ohio, there is an entry called a controlling board, which is composed of six members of the legislature and the director of the Governor's Office of Management and Budget. This controlling board does not adjust the total amount of general revenues appropriated. However, it moves money between years; it moves money between purposes within a single agency, and if you are a fee-funded agency, it may approve an increase in your spending if your fee revenues increase. In addition, the Governor, as you also know, has the power to cut spending unilaterally to achieve a balanced budget.

We have more preliminary details on the States, and we will share that with your staff.

Finally, let me turn to the Federal level. If you are thinking about how to handle the first year of a new President's term, you might want to look at the Department of Defense both as a possible candidate for early transition and also as a cautionary tale on how willing your colleagues are to do this. Under current law the Department of Defense is supposed to submit and supposed to receive both a biennial authorization and a biennial appropriation, but you all know it does not. The department does, however, prepare a biennial appropriation request, and the Department goes through the process of preparing a biennial budget. The Department of Defense would say this is a greater burden than they would bear under an annual process because they have to do the second year twice. But it means you do have a department that is ready to go. You also have a Congress that has been unwilling for whatever reason to do this.

Whether or not you get the benefits that you seek from a biennial budget process depends entirely, I think, on what provisions you design for the second year; how you compensate for the fact that you will no longer have a fixed period where the agency comes up with appropriations requests. What will be the bias about supplementals; will there be a single technical revision in the second year? How you respond to things that are unexpected.

So I think it is an open question whether you can make it work, and because of that, it may be an open question whether you want to do it. However, if you do go ahead, I think it is going to take a lot of detailed planning. We are available to assist in any way. I am happy to answer questions.

Mr. LINDER. [Presiding.] Thank you for your testimony.

[The prepared statement of Ms. Irving follows:]

**Statement of Susan J. Irving,  
Associate Director, Federal Budget Issues  
Accounting and Information Management Division**

Mr. Chairman, Members of the Committee:

I am pleased to join you as you consider proposals to change the entire budget process from an annual to a biennial cycle. This change has been advocated as a way to advance several objectives: (1) to provide more focused time for congressional oversight of programs by streamlining the congressional budget process and reducing the time Members of the Congress must spend on seemingly repetitive votes; (2) to shift the allocation of agency officials' time from the preparation of budgets and justifications to improved financial management and analysis of program effectiveness; and (3) to enhance agencies' abilities to manage their operations by providing more certainty in funding over 2 years.

Almost everyone involved in the current budget process finds it frustrating. The public finds the budget deliberations confusing. Executive branch agencies say it is burdensome and time consuming. How to make the best use of the new perspectives and information provided under the Chief Financial Officers (CFO) Act and the Government Performance and Results Act (GPRA) in the budget and resource allocation process is unclear. Many members of the Congress say the annual budget process seems too lengthy, with its many votes on authorizations, the budget resolution, reconciliation, and appropriations.

At the same time, budget debates are important—and important debates often take time. Budgeting is the process by which we as a nation resolve the large number of often-conflicting objectives that citizens seek to achieve through government action. The budget determines the fiscal policy stance of the government—that is, the relationship between spending and revenues. And it is through the budget process that the Congress and the President reach agreement about the areas in which the federal government will be involved and in what way.

Despite the nearly universal agreement that the current process has problems, changes must be carefully considered. The current budget process is, in part, the cumulative result of many changes made to address previously-identified problems. For example, the Budget Enforcement Act (BEA) was designed to enforce deficit-reduction agreements. With the shift from deficit to surplus has come the question of whether and how to change the process to deal with new challenges. Our recent work discussing how other countries are dealing with current surpluses can be informative about the character of a new fiscal paradigm for our nation.<sup>(1)</sup> Some countries have recognized that using fiscal targets such as debt-to-GDP ratios can be useful to guide decision-making in a world where achieving a current-year balance is no longer sufficient as a fiscal compass.

Although the shift from deficit to surplus does not mark the end of the fiscal challenges you face, it does free you from an exclusive focus on deficit reduction. It may permit taking a longer-term perspective both on commitments and on the role of government. As the Comptroller General has testified recently, there is a need for a serious debate about the role, the performance, and the management of the federal government. However, the Congress has no single established formal mechanism analogous to the budget resolution in which it may articulate performance goals for the broad missions of government, to assess alternative strategies that offer the most promise for achieving these goals, or to define an oversight agenda targeted on the most pressing crosscutting performance and management issues.<sup>(2)</sup>

All of these issues come into play as you consider whether to make any changes to the budget process—whether that process remains on an annual cycle or is shifted to a biennial one. For this hearing your staff asked me to discuss state experiences with biennial budgeting, the question of periodicity and availability of funds, and to comment on some technical or implementation issues to consider if you were to shift the federal cycle to a biennial one.

#### **State Experiences**

Seven states have a biennial legislative cycle and hence also a biennial budget cycle. Of the 43 states with annual legislative cycles, 27 describe their budget cycle as annual, 2—Kansas and Missouri—describe their cycle as mixed, and 14 describe it as biennial. Table 1 below shows the legislative and budget cycles of the states.



Table 1. State Legislative and Budget Cycles

States With Biennial Legislative and Budget Cycles	States With Annual Legislative and Budget Cycles	States With Annual Legislative and Mixed Budget Cycles	States With Annual Legislative and Biennial Budget Cycles
1. Arkansas	1. Alabama	1. Kansas <sup>(a)</sup>	1. Arizona
2. Kentucky	2. Alaska	2. Missouri <sup>(b)</sup>	2. Connecticut
3. Montana	3. California		3. Hawaii
4. Nevada	4. Colorado		4. Indiana
5. North Dakota	5. Delaware		5. Maine
6. Oregon	6. Florida		6. Minnesota
7. Texas	7. Georgia		7. Nebraska
	8. Idaho		8. New Hampshire
	9. Illinois		9. North Carolina <sup>(c)</sup>
	10. Iowa		10. Ohio
	11. Louisiana		11. Virginia
	12. Maryland		12. Washington
	13. Massachusetts		13. Wisconsin
	14. Michigan		14. Wyoming
	15. Mississippi		
	16. New Jersey		
	17. New Mexico		
	18. New York		
	19. Oklahoma		
	20. Pennsylvania		
	21. Rhode Island		
	22. South Carolina		
	23. South Dakota		
	24. Tennessee		
	25. Utah		
	26. Vermont		
	27. West Virginia		

a. In Kansas, 19 agencies are on a biennial budget cycle.

b. In Missouri, the operating budget is on an annual cycle while the capital budget is on a biennial cycle.

c. Although statutorily North Carolina has a biennial legislature, in practice the legislature meets annually, with a shorter session during the second year.

Connecticut has changed its budget cycle from biennial to annual and back to biennial. Since the mid-1960s, 17 other states have changed their budget cycles: 11 from biennial to annual, 2 from annual to mixed, and 4 from annual to biennial.

Translating state budget laws, practices, and experiences to the federal level is always difficult. As we noted in our review of state balanced budget practices<sup>(3)</sup> state budgets fill a different role, may be sensitive to different outside pressures, and are otherwise not directly comparable. State legislatures generally don't separate the authorization and appropriation function. In about one-third of the states appropriations are contained in a single appropriations act. It also appears that they make less use than does the Congress of tools like multiyear funding. The length of a legislature's session may be limited. In addition, governors often have more unilateral power over spending than the President does.

In your deliberations this year the experience of three states—Ohio, Connecticut, and Arizona—may be of particular interest. Of the five largest states in terms of general fund expenditures, Ohio is the only one with both an annual legislative cycle and a biennial budget.<sup>(4)</sup> Connecticut shifted to a biennial budget cycle for 1993-94 with the avowed purpose of improving the quality of oversight, and it now is in its fourth biennium. Beginning in 1993, Arizona took a phased approach to shifting from annual to biennial budgeting, and this year is in the second year of the first biennium in which the entire budget is on a biennial basis. Although we have not completed our examination of just how biennial budgeting works in these states, I will discuss each briefly based on preliminary work and interviews with some state officials.

#### **Ohio**

Ohio has had a biennial budget cycle since the early 1900s. In odd-numbered years the legislature adopts two 1-year operating budgets. Appropriations for most state agencies are contained in a single bill.<sup>(5)</sup> In even-numbered years the legislature adopts two capital bills—a capital reappropriations bill dealing with projects previously appropriated but not completed and a separate capital budget for new projects. If there are legislative changes in the appropriations, they may either be included in the capital reappropriations bill and/or in a corrective bill. However, we are told that significant changes are rare.

In Ohio, there is no mandate for increased legislative oversight in the second year. The legislature generally has a shortened session in this year and spends its time on the capital bills and business other than the budget.

Adjustments during the biennium are generally handled by the Controlling Board. The Director of the Governor's Budget Office or his designee chairs this Board—we were told this is usually the Deputy Director of the Office of Budget and Management. Its other six members are members of the legislature.<sup>(6)</sup> One official described the Controlling Board as legislative oversight. This Board approves all contracts over \$25,000 (or \$75,000 for larger institutions). It also has broad powers over spending. The Board may authorize increased spending from dedicated revenues, fees, federal reimbursements, or private grants. We were told that agencies may begin new projects if approved by the Controlling Board. Although under its general authority the Board cannot increase or decrease General Revenue Fund appropriations, it can move such funds across years and between purposes within an agency within a single biennium. The Governor in Ohio has authority to unilaterally reduce spending in any area if necessary to ensure the fiscal year ends in balance.

#### **Connecticut**

Beginning in 1993 Connecticut converted its budget cycle from annual to biennial.<sup>(7)</sup> In odd-numbered years the Governor proposes and the legislature adopts two 1-year budgets. The Governor's budget proposal is reviewed by the legislature's Appropriations and Finance Committees. Appropriations for all state agencies are contained in a single bill. In even-numbered years the Governor transmits a report on the status of the enacted budget along with any recommendations for revisions or adjustments.

Adjustments during the biennium can be handled in one of three ways. As mentioned above, they may be contained in the Governor's bill for the second year. Also, the Finance Advisory Committee (a joint executive and legislative branch committee) must approve larger transfers between appropriations accounts within an agency.<sup>(8)</sup> Finally, the Governor, with Finance Advisory Committee approval, has the authority to reduce overall appropriations up to 3 percent of the total appropriation of any fund or up to 5 percent of any appropriation account in cases where a deficit is projected or in cases where there is a change of circumstances.<sup>(9)</sup>

The main reasons given for a conversion to a biennial budget cycle were that an annual budget process takes too long, is repetitive, and leaves little time for the legislature to carry out its

oversight responsibilities. Connecticut's reform envisioned a process whereby budget activities would take place during the first year with the second year devoted to oversight and any necessary technical adjustments to the budget. However, phone conversations with a senior budget official indicate that this has not been the experience. In practice, the Governor has introduced new policy initiatives for the second year of the biennium. As a result, budget activities in the "off-year" have not been limited to technical adjustments and the legislative calendar, which is shorter in the second year, has been largely consumed by budget-related deliberations.

#### **Arizona**

Arizona is currently in the second year of its first full biennial budget. Arizona began its transition to a biennial budget cycle in 1993 when it moved 26 smaller regulatory agencies to a biennial basis. In 1996, all agencies except for the 15 largest were moved to a biennial cycle—bringing the total to about 100. The 15 largest agencies, which represent more than 90 percent of general fund expenditures, were converted to a biennial cycle in fiscal year 1999-2000. In Arizona general funds constitute approximately 50 percent of revenues. The other half is split approximately evenly between federal funds—which are not appropriated but flow directly to the designated agency—and nonappropriated funds—which include user fees, regulatory fees, and revenues enacted through voter initiative.

Arizona linked the shift to a biennial budget cycle with an attempt to increase program review. Beginning in 1993 when Arizona first started its move toward biennial budgeting, the legislature also established a Program Authorization Review (PAR) process whereby agencies were to annually submit self-assessments to the legislative and executive budget offices. The directors of each budget office are to jointly review the self-assessments and submit a report with their findings to the legislature. In 1997 the PAR process was converted to a biennial process, whereby the reviews were to occur in the non-budget years. Finally, in 1999, the legislature modified the program evaluation process further, creating a Strategic Program Area Review (SPAR) process to look more closely at broad program areas. For the first year it was specified that the process would look at three program areas: (1) Arizona Ports of Entry; (2) Domestic Violence programs; and (3) University Extended Education programs.

#### **Biennial Budgeting at the Federal Level**

The biennial bills before the Congress would shift the entire budget cycle from annual to biennial. The President would submit a budget every other year. Authorizations would be for 2 years or longer. Budget resolutions would be adopted and appropriations enacted every 2 years. The Congress would be required to enact two 1-year appropriations. All the biennial budget bills introduced in this Congress provide for this kind of cycle. Most extend the time provided for development of the budget resolution—moving it from April 15 to May 15—and hence shorten the time provided for appropriations action in the first session of a Congress.

Experience with multiyear fiscal policy agreements and multiyear authorizations provides no evidence to suggest that budget agreements, authorizations, budget resolutions, and appropriations need to cover the same time period. Multiyear fiscal policy agreements and multiyear authorizations make a great deal of sense, but they do not require changing the appropriations decision cycle from annual to biennial. If multiyear agreements on spending caps and enforcement regimes are continued, a biennial budget resolution may also be possible. While biennial appropriations could save time for agencies and for the Congress, they would result in a change in the nature of congressional control and oversight. Proposals to change the process should be considered partly on the basis of their effect on the relative balance of power in this debate. Similarly, any mechanisms developed to implement biennial budgeting could have an impact on the balance of power.

#### **Longer-Term Perspective is Important**

We have previously supported the use of multiyear authorizations for federal programs. These can help both the Congress and the executive branch by providing a longer-term perspective within which a program may operate and appropriations be determined. Multiyear authorizations are the normal practice for most of the nondefense portion of the budget.

Increasingly, informed budget and policy decisions require an even longer-term perspective. There has been a growing recognition that policymakers need information on the long-term cost consequences of today's commitments. The long-term costs implied by the government's current commitments can encumber major shares of future budget resources. Our long-term budget

model illustrates that the growth in Social Security and health commitments threatens to crowd out discretionary spending in the long run, assuming a constant tax burden. While the congressional budget process has made progress in considering the longer term in budgeting by requiring a multiyear focus, it does not fully address sustainability issues. We have suggested that this could be improved for some programs, like employee pension, retiree health, and federal insurance programs, by adopting accrual measurements in the budget.<sup>(10)</sup> Doing so would provide a more complete picture of the cost of current decisions and thus may encourage timely changes in these programs to control costs. For other long-term commitments, like social insurance, which are not considered to be liabilities under current accounting standards but nevertheless represent a commitment of the government, alternative approaches drawing upon accrual concepts may be useful to explore and could very well lead to new ways of budgeting for such commitments. However, while this perspective is important, the uncertainty of long-term projections argues against incorporating them directly into the budget numbers.

Budgeting always involves forecasting, which itself is uncertain, and the longer the period of the forecast, the greater the uncertainty. Increased difficulty in forecasting was one of the primary reasons states gave for shifting from biennial to annual cycles. Among the issues that would need to be worked out if the Congress moves to a biennial budget cycle are how to update the Congressional Budget Office (CBO) forecast and baseline against which legislative action is "scored" and how to deal with unexpected events. The baseline is important because, as you know, CBO scores legislation based on the economic assumptions in effect at the time of the budget resolution. Even under the current system there are years when this practice presents problems: in 1990 the economic slowdown was evident during the year, but consistent practice meant that bills reported in compliance with reconciliation instructions were scored based on the assumptions in the budget resolution rather than updated assumptions. However, the economic slowdown caused spending to increase and federal revenues to decline by more than the savings projected from the reconciliation act's policy changes.<sup>(11)</sup> If budget resolutions were biennial, this problem of outdated assumptions would be greater—some sort of update in the "off-year" would be necessary.

#### **Annual Appropriation Cycle Permits Flexible Periods of Fund Availability and Changes in Levels Year-to-Year**

In considering whether the federal government should shift to a biennial budget, it is important to recognize the critical distinction between how often budget decisions are made and how long the spending authority provided for agency use is available. That is the difference between the frequency of decisions and the period of availability of funds. To date biennial budget proposals have sought to change the frequency with which decisions are made—from annual to biennial—without changing the periodicity of funds.

Sometimes a shift to biennial appropriations is discussed as though it were necessary to change the frequency of decisions in order to change the length of time funds are available. As you know, however, this is a misconception. First, nearly two-thirds of the budget goes for mandatory programs and entitlements on which decisions are not made annually. Even the remaining portion of the federal budget on an annual appropriations cycle is not composed entirely of 1-year monies. Not all appropriated funds expire on September 30 of each year. The Congress has routinely provided multiyear or no-year appropriations for accounts or for projects within accounts when it seemed to make sense to do so. For example, just looking at the accounts that in fiscal year 2000 were on an annual appropriations cycle shows that over 60 percent of these accounts contained some multiyear or no-year funds. For these accounts, some previously enacted appropriations remain available for obligation beyond September 30, 2000 without further congressional action. The Congress has also responded to situations in which the program year and the fiscal year do not match; for example, education programs routinely receive forward funding. Thus, to the extent that biennial budgeting is proposed as a way to ease a budget execution problem, the Congress has shown itself willing and able to meet that need under the current cycle.

The federal government has had some experience with requirements for a biennial budget. The 1986 Defense Authorization Act directed the Department of Defense (DoD) to submit a biennial budget for fiscal years 1988 and 1989 and every 2 years thereafter. DoD has submitted 2-year budgets to the first session of a Congress for most biennia since then, including for the biennium that would have begun with fiscal year 2000. However, it has never received both authorizations and appropriations to cover a biennium. Thus, it then submits a 1-year budget to the second session of a Congress to request appropriations for the second year of the biennium. According to a DoD official, this attempt to implement biennial budgeting has created additional workload, as

DoD routinely must prepare budget justifications for the second year of the biennium twice.

#### **Implementation Issues: Integration with BEA, GPRA**

If BEA is extended, there are a number of technical issues to be considered in terms of the integration of any biennial budget cycle with the BEA. For example, would biennial budgeting change the timing of the BEA-required sequestration reports? How would sequestrations be applied to the 2 years in the biennium and when would they occur? For example, if annual caps are continued and are exceeded in the second year of the biennium, when would the Presidential Order causing the sequestration be issued? Would the sequestration affect both years of the biennium? We would be happy to work with your staff on these and other technical issues should you wish.

The interaction between biennial budgeting and GPRA presents several challenges. These are especially important given the expressed desire to use a shift to biennial budgeting as a way to increase and improve oversight. At a minimum, as recognized in several of the bills that have been introduced, there would need to be conforming calendar changes in GPRA. However, if a shift to a biennial cycle is intended to facilitate oversight, integration will need to go beyond such calendar adjustments to thinking about the purposes of GPRA and how it can best assist congressional decision-making. Again, we would be happy to work with your staff on the integration of these initiatives.

#### **Potential Effects of Biennial Appropriations**

For agency budget officials—both agency budget officers and program managers—the arguments for biennial budgeting may seem quite strong. Currently, agency budget officers spend several months every year preparing a "from-the-ground-up" budget with voluminous written justifications. Much of this work is repetitious. In contrast, requests for supplemental appropriations are handled on an exception basis. Only those agencies requesting supplemental appropriations prepare and present justifications, and those justifications are less complex than for the annual budget. If, under a biennial appropriations process, the "off-year" updates, amendments, or adjustments were treated like supplemental appropriations, the savings in agency time could be significant, even if the Congress required—as seems reasonable—that agencies submit performance reports and audited financial and spending reports every year.

Would agency time and energy be shifted to improved financial management or better program evaluation? That is likely to depend on the President's and the agency's leadership and on what the Congress demanded of the agencies.

For agency program managers, the interest in biennial budgets is slightly different. Although preparation and analysis for the annual budget preparation and submission process is time-consuming and burdensome for program managers, they are likely to have a greater interest in how long money is available for use. For managers with program cycles that are longer than or different from a single fiscal year, multiyear appropriations tend to smooth program functioning. However, as noted above, the Congress has already addressed this budget execution problem for many of these programs by giving them some multiyear funding. While a shift of the entire cycle would ease planning and increase predictability for all program managers, multiyear or forward funding can be provided for those programs for which 1-year money seriously impairs program effectiveness.

Regardless of the potential benefits to agencies, the decision on biennial budgeting will depend on how the Congress chooses to exercise its constitutional authority over appropriations and its oversight functions. Annual enacted appropriations have long been a basic means of exerting and enforcing congressional policy. Oversight has often been conducted in the context of agency requests for funds. A 2-year appropriation cycle would change—and could lessen—congressional influence over program and spending matters, since the process would afford fewer scheduled opportunities to affect agency programs and budgets. Even in an era of fixed-dollar caps on discretionary spending, the Congress has retained the right to rearrange priorities within the aggregate cap. Indeed, at the individual account level year-to-year volatility is much greater than the volatility of appropriations in the aggregate. For example, while overall discretionary appropriations were changing by only 2 to 4 percent per year between fiscal years 1995 and 1998, 37 percent or more of the individual accounts changed by more than +/-10 percent. In addition, appropriations subcommittees may feel a need to provide more flexible budget execution tools to program managers—in the form of greater multiyear funding, lump sum appropriations, and/or transfer authority—to address the greater uncertainty associated with lengthened funding

horizons.

Shifting the entire budget and appropriations cycle to a biennial one is likely to require the reexamination of a number of congressional processes. How would the rules of each body need to be changed to facilitate the desired operation of such a cycle? What new mechanisms might be created and how would they work? For example, the question of how to respond to changing conditions becomes increasingly important if appropriations are to be enacted every 2 years. A biennial cycle is likely to increase the number of unexpected developments between appropriations. Already the Congress adjusts its annual spending decisions as it responds to emergencies or changes in the world that occur within the year. Over a 2-year period there are likely to be more such outside events demanding "adjustments." How would those be handled?

Integration of GPRA with a biennial cycle also raises a number of questions beyond adjusting the dates. Among the questions are: How will annual performance reports be used in a biennial cycle? Will the President's governmentwide performance plan submitted with his biennial budget reflect performance goals and measures on an annual or a biennial basis? Agencies will be expected to prepare performance plans including annual goals and measures covering each year of the biennium—how will these affect the governmentwide performance plan? Agencies will still be expected to submit annual performance reports—how are these to be used in a biennial cycle?

We have long advocated regular and rigorous congressional oversight of federal programs. Such oversight should examine both the design and effectiveness of federal programs and the efficiency and skill with which they are managed. In testimonies before both the House and Senate Budget Committees last month(12) the Comptroller General offered some organizing themes or questions for use in structuring systematic oversight. As a result of recent reform efforts, the Congress will soon begin receiving more consistent and complete information about the costs, efficiency, and effectiveness of federal programs and activities. However, to be fully useful, this information must become a routine component of congressional authorization, oversight, and appropriations processes. While individual authorization and oversight committees are well-suited to address performance or financial issues affecting individual agencies or programs, many of the key performance questions are not confined to, and cannot be addressed effectively on, an agency-by-agency or committee-by-committee basis. In his testimony last month, the Comptroller General suggested that the Congress could consider the need for mechanisms that would allow it to more systematically focus its oversight on problems with the most serious and systemic weaknesses and risks. One possible approach would involve modifying the current budget resolution to include a "performance resolution" to permit the Congress to respond to, and present a coordinated congressional perspective on, the President's governmentwide performance plan.

In this context, we note that several of the bills make a substantive change to the budget act by requiring that GPRA plans and reports be reviewed by each committee of jurisdiction. These bills go on to say that each committee "may provide its views on such plans or reports to the Budget Committee." This represents an expansion of the scope of what is colloquially known as "views and estimates reports." It is unclear just how this information would be used by the Budget Committee--the bills do not amend the content of the budget resolution or provide for a companion "performance resolution," as suggested in our earlier testimony. However, since one of the consequences of a biennial process will be fewer opportunities to respond to executive agency plans, some structured forum for responding to the President's governmentwide plan may be useful.

### Conclusion

Mr. Chairman, we have testified before that the decision to change the entire budget process to a biennial one is fundamentally a decision about the nature of congressional oversight. Whether a biennial cycle offers the benefits sought will depend heavily on the ability of the Congress and the President to reach agreement on how to respond to uncertainties inherent in a longer forecasting period. If biennial appropriations bills are changed rarely, the planning advantages for those agencies that do not now have multiyear or advance appropriations may be significant.

Whether a biennial cycle would in fact reduce congressional workload and increase the time for oversight is unclear. As I noted above, most current proposals actually shorten the time available for appropriations action in the first session of the Congress—the session in which all appropriations action is supposed to take place—by reducing the time between completion of congressional action on the budget resolution and the beginning of the biennium at issue by 1 month.

Mr. Chairman, biennial budgeting would bring neither the end of congressional control nor the guarantee of improved oversight. It would require a change in the nature of that control. If the Congress decides to proceed with a change to a biennial budget cycle—including a biennial appropriations cycle—careful thought will need to be given to implementation issues. We stand willing to assist your staff either with those technical and implementation questions or with other approaches to improved oversight under the current annual cycle.

1. Budget Surpluses: Experiences of Other Nations and Implications for the United States (GAO/AIMD-00-23, November 2, 1999).

2. Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus (GAO/T-AIMD-00-73, February 1, 2000)

3. Balanced Budget Requirements: State Experiences and Implications for the Federal Government (GAO/AFMD-93-58BR, March 26, 1993).

4. Of the 10 largest only Texas, Ohio and North Carolina have a biennial budget cycle. Texas has a biennial legislative cycle. Although statutorily on a biennial legislative cycle, in practice the North Carolina legislature meets annually.

5. Separate bills are prepared for the Bureau of Workers' Compensation, the Industrial Commission, and the non-general revenue fund portions of the budget for the Departments of Transportation and Public Safety. In the fiscal year 2000-01 biennium, Ohio also enacted a separate bill for education-related agencies for the first time.

6. Other members are the Chair of the Finance and Appropriations Committee of the House of Representatives, the Chair of the Finance Committee of the Senate, two members of the House appointed by the Speaker of the House, and two members of the Senate appointed by the President of the Senate.

7. Connecticut had a biennial legislative and budget cycle prior to fiscal year 1971-72 when it changed both its legislative and its budget cycle to annual.

8. The Governor has the authority to transfer small amounts of money between accounts without the approval of the Finance Advisory Committee.

9. However, grants to towns and the Auditor of Public Accounts may not be reduced.

10. Accrual Budgeting: Experiences of Other Nations and Implications for the United States, (GAO/AIMD-00-57, February 18, 2000).

11. See Budget Process: Issues Concerning the 1990 Reconciliation Act (GAO/AIMD-95-3, October 7, 1994).

12. Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus (GAO/T-AIMD-00-73, February 1, 2000); and Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance (GAO/T-AIMD-00-96, February 17, 2000).

Mr. LINDER. With respect to the States, do Ohio, Connecticut and Arizona meet every year?

Ms. IRVING. Yes.

Mr. LINDER. Texas does not.

Ms. IRVING. That is correct.

Mr. LINDER. From your knowledge of Texas, does the executive have broad, expansive powers in the off year?

Ms. IRVING. I do not know a lot of detail about Texas. Since I have mostly been looking at the States with the idea of what they can offer Congress. I have only looked at the ones that have an annual legislature. Texas is an interesting State because it is generally viewed as a weak Governor State despite having a biennial legislature. I can get you that information.

Mr. LINDER. Twenty years ago I proposed that the Georgia Legislature ought to meet in the odd-numbered years and pass bills, and in the even-numbered years repeal them all.

Ms. IRVING. I know too little about Georgia to comment.

Mr. LINDER. There have been some comments from both Republican and Democrat people that the GAO was getting less and less valuable information in their studies. I am sure that you have read some of the complaints. I am wondering if it is getting more difficult to get information.

Ms. IRVING. Mr. Linder, I think the experience in getting information tends to vary widely. For the kinds of studies I do, it is not a problem. Both OMB and CBO and the committees and the States have been cooperative.

I am not sure that I am in a position to make a general comment about access. I know that there have been some incidents. I think that most of them have been worked out. Mr. Walker is generally not the kind of person who takes no for an answer. I don't know that you should be overly worried about his ability to work these out.

Mr. LINDER. He is from my county.

Ms. IRVING. So you know what I mean.

Mr. LINDER. Let me pass to Mr. Goss.

Mr. GOSS. I don't have a lot of questions.

I agree with one of the points you made about the longer view, and do you have a desire to share with us a mechanism that works for the longer view process?

Ms. IRVING. That is interesting. As you probably know, we have done some work on looking at how the current budget accounts for insurance programs and long-term commitments; very long-term data is a little squirrely. But we have proposed for a number of areas it would be a good idea to include in the budget some supplementary data and improve the quality of information about these commitments.

I would not propose going as far as we do with credit where we have shifted from cash budgeting to accrual budgeting because we are not ready to do that yet for insurance programs, but we are ready to create the pressure to improve the data by requiring that it be included as supplementary information. Then you might think about whether you wanted to go to some sort of triggers within the process, whether disclosure or a range of the size of the commit-



ment. I don't think you are ready to integrate it into scoring, but I think it is important to recognize that PBGC is not a profit center for the government, and on a cash basis it looks like one.

Mr. GOSS. I think that is a good observation.

I have to go in a few moments, and so I am going to hold my questions because I would like to hear what the next witness has to say. Thank you.

Mr. LINDER. Mr. Moakley.

Mr. MOAKLEY. You referred to Ohio as a biennial State. Don't they have the operating budget one year and the capital budget the other year, and so is it really a biennial budget?

Ms. IRVING. In general, I accept the State's definition of its cycle, but I would say that Ohio comes closer to being on a staggered biennial cycle than some of the other states who list themselves as "mixed." For example, Kansas says it has a mixed cycle, but what it means is that the regulatory boards like Cosmetology are on biennial cycle, and all of the general fund is on annual one. Ohio is a split; one year they do capital, and one year they do operating.

Mr. MOAKLEY. In the off year they do operating budgets, and they have this control board. Does that almost take the place of the legislature?

Ms. IRVING. One thing that is consistent in States is that they give a great deal of power to the staff groups. In some of these States the equivalent of the Congressional Budget Office actually prepares the appropriation, and they have a joint legislative budget office. What happens in Ohio is, the Governor proposes a budget, the legislative budget office looks at it and analyzes it. Their appropriations committees pass the appropriations. They are all done pretty fast in the States.

Even during that period the controlling board may be making adjustments on some of the nonappropriated revenues. The controlling board has to approve all contracts over \$25,000. But I don't think that I can say that they usurp the power of the appropriators in the odd-numbered years. But if you think—

Mr. MOAKLEY. Don't they have the ability to take money out of one account and move to another account in emergencies?

Ms. IRVING. They can move money between purposes within an agency, yes, sir.

Mr. MOAKLEY. Would not that be the action of the legislature?

Ms. IRVING. I thought you meant in creating the overall budget in the off year.

Mr. MOAKLEY. No, I mean just administering the budget.

Ms. IRVING. Yes, they basically run reprogrammings and transfers.

Mr. MOAKLEY. By going to this biennial process, sometimes you ask bureaucrats and unelected officials to do the things that elected officials do today.

Ms. IRVING. In Ohio it is really as if you picked six of your colleagues and gave it to them, because the controlling board is members of the legislature.

Mr. MOAKLEY. That is a great board to be on. Thank you.

Mr. LINDER. Actually we have a similar situation in Georgia, where a panel of legislators can move money, and reprogram money within agencies.

Since the 16 or 17 States have changed their budget cycle, has there been a trend to which direction they go?

Ms. IRVING. Until this decade, the trend was from biennial to annual, and the major explanation was the difficulty in forecasting. In this decade the only shifts have been Arizona to biennial and Connecticut to biennial.

Mr. LINDER. If forecasting is more difficult under a 2-year budget cycle than a 1-year budget cycle, what is the propensity to pad budget requests?

Ms. IRVING. Of course "padding" is not a neutral term. I think if I were a good manager and I were trying to guess what I needed in the second year, I would be inclined to round up to compensate for uncertainty. I have no empirical evidence one way or the other. If you are going to retain fixed dollar caps, of course in the aggregate that can't happen. It becomes part of the argument between the executive branch agencies.

Mr. LINDER. You mentioned the capital budgets that Ohio, I believe, has. And there has been some discussion for a decade about moving to biennial budgets and capitalizing major purchases. Are we at the point where we can do that?

Ms. IRVING. It is a difficult switch, and conceptually very different for the Federal Government. In the States they define capital essentially as infrastructure—roads, buildings—and they fund them by floating bonds. Much of what we would think of as investment at the Federal level we don't own. For example we give grants to the States to build roads. It is very hard to imagine depreciating something that you don't own.

Another really big issue is whether you are trying to use your budget to match costs to outputs or to show the amount of resources you have committed. Accrual and capital budgeting help with matching costs in the economic sense with output, but for physical assets they may really hide how much resources you have committed. And in general, and we think appropriately, Congress has wanted to accurately show how much of the resources produced in this country they have committed. We have been fairly strong proponents of up-front budgeting for capital, because if you have actually committed for the whole building, you should show that you have committed future resources.

You can, below the aggregate level, improve your allocation of costs by developing some mechanism so that the agency getting the building is "charged"; you could use capital acquisition funds below the aggregate level to allocate the costs more appropriately, which, as you look more at the Results Act, you may want to do. But for the Federal Government at the aggregate level, capital budgeting raises a lot of problems.

One other thing—many people only want to move the expenditures to the capital budget and not revenues.

Mr. LINDER. Let me just pick up on one last point. You mentioned the Results Act. Do you think that a more uniform rule with respect to how it is viewed by agency heads and oversight committees, such as a fairly carefully thought through mission statement, then an examination in reauthorization, how well they approached their mission, are they still on the same mission, so we don't have

mission creep, because many Federal agencies wind up doing something totally different than they started doing.

Ms. IRVING. Of course they don't do that all by themselves.

Mr. LINDER. That's correct.

Ms. IRVING. I have trouble with abstract mission statements, because if you went to the Department of Agriculture and asked them what their mission is, they would talk about agriculture and rural America. And if you look at where they spend their money, they are in the income support business. The agency culture and clearly what they would describe, has to do with farmers and rural America, but that is not where their budget goes. Abstract mission statements have always made me a little uneasy.

Like Director Lew, I don't think that you want to go to one-size-fits-all approach, but you may want to go to one set of categories. You want all of them to get to the question of what outcome they seek to achieve in a program, which allows something like a science organization to say in the end what we are seeking to do is increase knowledge, and I will create the potential for breakthroughs. We are not going to measure ourselves on how many breakthroughs there are in any given year. Ask what are the interim measures or goals, and how close are we able to link them. For example, we are clear that increasing prenatal visits helps reduce low birth-weight babies and improve health. We are less clear on how you make a scientific breakthrough.

Another thing—cost accounting in the Federal Government is in an infancy stage. You have a long way to go before you get a clear linking of resources to results in any consistently credible way. I think Director Lew is to be credited with trying to make this work with the executive branch, and I think it is great that you guys are trying to see how to fit it into your process, because it offers you great potential.

Mr. MOAKLEY. Thank you.

Mr. LINDER. Thank you.

Mr. LINDER. Mr. Fisher, we welcome you.

#### **STATEMENT OF LOUIS FISHER, CONGRESSIONAL RESEARCH SERVICE**

Mr. FISHER. Thank you.

Sue mentioned the study she has done on three of the States. One is Connecticut. I talked with a person in Connecticut this week who has done budgeting up there for 27 years, and he explained that Connecticut about 10 years ago switched from 1-year budgeting to 2-year budgeting, and there are several reasons. The big reason was for Connecticut to be able to do performance budgeting, and he says it has never happened.

I think he underscored some of the points made here today by witnesses. You can adopt a new policy and process, and that doesn't mean that it is going to happen. It depends on what Members of Congress want to happen in the future. It is a political decision, not a process decision.

My statement looks at whether there will be a shift of power from Congress to the executive branch, how efficient this biennial budgeting will be for Congress and how efficient for the agencies, and whether there will be new and better oversight.

I think there will be a shift of power from Congress to the executive branch. Even proponents of biennial budgeting admit that. How much depends always on what good faith there is in the executive branch. You will be giving them greater discretion. Director Lew talked about under biennial budgeting, executive people will need more discretion. They can use it wisely and prudently and in good faith or use it in bad faith.

One of the things that has concerned me in recent decades, probably the last three decades, is that the executive branch is getting more and more structured in having short-term political appointees and not as many long-term careerists who do have a stake in good faith relations with committees. We have all seen members of the executive branch having little interest in legal limits, or constitutional limits, or relations with Congress, or relations with committees. So if you are dealing with that, that is going to be a problem to catch up to make sure that abuses do not get out of hand.

Let me turn to efficiencies for Congress. First of all, as people have said here this morning, you are going to have a new administration, untrained, putting together a 2-year budget. How good will that be? That is one problem. Mr. Lew said that it would be "a stretch" even to complete that by April, so you are losing a couple of months. In addition to maybe a late budget for a new President, you have got the problem of how good that 2-year budget is. If the estimates are not good because they are not trained people, you are going to have particularly difficult problems 2 years out. Again, you will be finding yourself with estimates that are inaccurate and inappropriate, and you will be doing oversight, but not oversight that gets into programmatic concerns. You will be finding what adjustments you can make in the second year particularly because of the poor estimates.

Point two, let's say biennial budgeting were in place now, and there is a new Congress coming in in 2001. Under this system the authorization decision would have been made this year. 2001 would be set aside for funding. I don't think any process can prevent Congress from doing whatever it wants to in the first year. For example, if biennial budgeting had been in place in 1994 and the Republicans take control of Congress, they would be at liberty to do what they did, which is to pass as much of the Contract with America as they could, even if it is in the middle of the budget year.

Point three, just as now, you will have reprogramming within appropriations accounts. You also have money taken from one account to another. You have all of these adjustments. That problem with biennial budgeting will be more than twice as bad because of the poor estimates for the second year. You will be spending more time finding out what agencies are doing and misusing the discretion that they have with relatively poor estimates.

Point four, all of this assumes that the economy is going on in a fairly stable manner. If you have a downturn in year 2, you will have to address that. You will have to make political decisions as elected officials.

Point five, Director Lew suggested that under biennial budgeting, the executive branch would want more discretion than they have now. It would be interesting to see what kind of new adjustments

would be made. Maybe the executive branch would like discretion to move money from year 1 to year 2. That would be something to be debated. Another possibility is that under reprogramming right now, some of the reprogramming requests come from agencies, and it is just for notification to committees, and other reprogramming requires prior approval. Congress may decide that under biennial budgeting they will want to move a lot of things done by notification into prior approval.

The next point, if we have statutory caps, you have to live within limits, and if some programs because of poor estimates have gone beyond the limit, you have to find money somewhere else. It may be the case that if the program is climbing, you can't find one account to take money from, you may have to take money from two or three accounts to replenish the account that is growing. So you will have a lot of shifting of money and changing of account levels.

We have mentioned the National Performance Review Study that criticized annual budgeting because there is padding. I think that with biennial budgeting you would expect more padding.

What are the choices for Congress? You could decide on biennial budgeting to fund agencies at a minimal level and ask them to come back for supplementals. That would maximize congressional control. It will also maximize congressional work. The other choice is to give agencies ample funding to get through the 2 years. The downside on that is that you would be giving greater discretion and control and power to the executive branch.

We haven't talked about tax bills. I don't know, I guess those would happen a lot in the first year when you are doing all your budgeting work. But if you wanted to do tax bills the second year, I think you would do it, just as you did this year with the marriage tax penalty bill. I don't think you can compartmentalize things year one, year two. You make political decisions, which is what you are supposed to do.

What about the possibility that the 2-year budget wouldn't pass the first year? We have a hard time now passing a 1-year budget. I think a 2-year budget would be more contentious, a lot more difficult to get a consensus.

When the new President comes in, instead of the budget coming up in early February, it would come up in early April. You have already lost 2 months under this process, and I think there is a general agreement that the reason you finish your budget now in the first year, even if it goes into October, November, is that you know the following February you have another budget coming.

How about if there is no budget coming the next year? Will you be losing the incentive to finish up? Will that debate on the 2-year budget in year one go into the next year?

Let me turn to efficiencies for agencies. I don't know, I don't think anyone would know what agencies are going to do under biennial budgeting. They know, from what I have just said, that you may have to take money from accounts because another account is climbing. Would they want to prematurely obligate money, to lock it up so you can't get at it? I don't know what the psychology would be in agencies. I think there would be more uncertainty in agencies for 2-year budgeting because everyone knows that the estimates

are off and money is going to be moving around. I don't know how agencies will behave.

There is a thought that there will be more long-term planning in agencies. Maybe there will. I don't think it will be that marked. Agencies will still have to come up every year when you do your oversight on year two. OMB will be watching agencies very, very carefully. I think any notion that there is going to be sophisticated planning down the road is probably not going to happen.

I mention the problem of short-term political appointees. They are in for 18 months, maybe in for 24 months. Many of them have not been in government before. They have no idea about your prerogatives in Congress. They really don't care about it. They do a fair amount of damage. They leave and go back to the private sector, and you have to clean up the mess.

I think we are losing agency careerists as part of the reinvention initiative that happened in 1993. A lot of the long-term careerists are out of government. I don't see any move to put them back in. So you are depending more and more on short-term political appointees.

The last point is that the National Performance Review criticized annual budgeting because you have to look out 2 years for obligations and 3 years for outlays. That is a problem. Biennial budgeting will make it a year worse. You will have to look out 3 years for BA and 4 years for outlays.

Congressional oversight. I think you will do more oversight. I don't know what the nature of it will be, whether it will be trying to bird-dog the agencies to see what they are doing with this discretion or whether it will be looking ground up at programs, deciding whether you want to keep them or radically change them.

What will be the change within Congress? Most of your authorization committees now do multiyear authorizations. Things won't change for them. That is what they have been doing for a long time. You have two committees that do annual authorization, the Intelligence Committees and the Armed Services Committees. There would be a savings there if you went to 2-year authorizations.

I think the military area is probably the toughest area if you wanted to go to 2-year authorizations. It is the toughest area in terms of new military commitments and everything else. I look at the Armed Service and Intelligence Committees and say if you give them a score of 10 for their annual authorization year one and give them a score of 10 for annual authorization for year two and then go to biennial budgeting and give them a score of 10 for their 2-year authorization, would they get a 10 for the oversight they do the second year?

First of all, the second year is not "must" legislation. You heard from Mr. Goss how much pressure he is under to complete that. Oversight is going to be a little different the second year, and the second year is when Members are running for reelection. I don't know what the priorities will be. It will depend partly on party leaders, but I don't think you are guaranteed more oversight under this system in 2-year budgeting than you get at the present time.

It is also likely that under 2-year budgeting you will not segregate oversight and authorization bills in year two. I think Armed

Services and the Intelligence Committees would feel free in the off-year to pass whatever authorizations they thought were necessary, not the large authorizations they do in year two but some authorization to address emerging issues.

You would lose a little bit of oversight this way, the kind of oversight you get every year from the Appropriations Subcommittees, and that is oversight with a lot of teeth, with a lot of leverage, a lot of sanctions.

From all this, I can't tell you what is going to happen. I don't think anyone can tell you what will happen.

In 1996 you passed the Line Item Veto Act, which was declared unconstitutional 2 years later. So we are back to the process we had. It didn't affect too many agencies. It didn't affect too many committees.

Biennial budgeting will affect everything. It will be a very dramatic change, very deep change. You may want to do it. You may want to decide to try it incrementally in some areas. If there is some program, some agency that has enough stability, you are comfortable with, learn a little bit from that, maybe get the Appropriations Committee, the CBO, GAO to make some suggestions where it might work best, starting out on a pilot basis.

Those are my comments. Thank you.

[The prepared statement of Mr. Fisher follows:]

**Statement of Louis Fisher,  
Congressional Research Service**

Mr. Chairman, thank you for inviting me to testify on biennial budgeting. My statement focuses on three issues: the likely transfer of legislative power to the President, the efficiencies that might accompany biennial budgeting, and whether this reform will produce more and better congressional oversight.

Biennial budgeting bills typically require Congress, in the first year, to pass a two-year budget resolution and enact two-year appropriations. The second year would be devoted to multi-year authorizations and congressional oversight. A budget reform that promises to reduce workload in both branches and eliminate repetitive votes in Congress has understandable appeal. Members of Congress are often frustrated by the time absorbed by annual votes on budget-related measures.

What will be the impact of biennial budgeting? What seems most clear is that Congress would cede some of its power of the purse to the President and executive agencies. With two years of money, agencies will be operating with a longer leash. Will biennial budgeting compensate for this potential shift of power by producing efficiencies and closer oversight of the executive branch? This is the most difficult part to read. Some oversight will be lost as Congress abandons the important oversight performed each year on the appropriations bills. Biennial budgeting might stimulate other forms of oversight to make up for this loss, yet that part of the picture is far from clear.

Advocates of biennial budgeting often look to state practices for support. There is, however, little analogy between federal budgeting and state budgeting. Many state legislatures did indeed rely on biennial budgeting, but they did so because they met only every other year. As state legislatures moved toward annual meetings, they shifted to annual budgeting. Congress has been in session every year since 1789. Moreover, state budgeting has little application to federal budgeting with its unique responsibilities of grants to the states, transfer payments to individuals (as with social security), duties for stabilizing the national economy, military operations, and international responsibilities. See the appendix for further comments on the state model.

For reasons explained in this statement, it appears that biennial budgeting will give some of the power of the purse to the executive branch and bring modest, if any, workload relief to Congress. It could usher in a variety of new problems, some of them quite serious. Given these uncertainties, Congress may want to apply biennial budgeting to carefully selected areas before attempting full-scale implementation.

#### **Constitutional Spending Powers**

Recent Presidents, including Reagan, Bush, and Clinton, have urged Congress to adopt biennial budgeting. We would expect that. Presidents do not like to come to Congress each year to seek statutory authority to spend money. The less frequent the visits the better. As one study remarked: "The Pentagon's top managers hoped that biennial budgeting would lead to less congressional micromanagement. Their not-too-hidden agenda for biennial budgeting was to get Congress off their backs."<sup>(1)</sup>

Congress maximizes its constitutional power by keeping executive agencies on a short leash. Extending appropriations from one year to two years would increase executive power and decrease legislative power. There seems little disagreement about that. Gerald H. Miller, executive director of the National Association of State Budget Officers, acknowledged that biennial budgeting "tends to give the executive more power, more influence . . ."<sup>(2)</sup> Annual appropriations, as noted by a former CBO analyst, "encourage the president to implement the budget in good faith."<sup>(3)</sup>

A recent study, generally favorable toward biennial budgeting, concedes that biennial budgeting "entails some loss of . . . legislative control."<sup>(4)</sup> The leverage of Congress with one-year funding was well expressed in a 1987 study by the Congressional Budget Office:

*The "must-pass" character of appropriations requires the Executive Branch to negotiate in good faith and to conform to previously enacted law. Therefore, forgoing annual appropriations would mean that the Congress would periodically do without its most coercive tool. In the absence of annual appropriation controls, the Congress might respond by writing legislation more restrictively for agencies it did not trust. By eliminating*



*agencies' flexibility, these "micromanagement" provisions would force them to act inefficiently. Yet, since it would often be difficult for the Congress to anticipate future conditions, agencies would probably be left with greater discretion than they currently enjoy.*(5)

The problem of agency bad-faith actions is a perennial one. Agency careerists who are in regular touch with review committees are usually interested in maintaining and fostering healthy relations. They have a stake in keeping their word. That is less so with political appointees, whose allegiance is often directed more toward the President and less toward compliance with statutes. As we move toward agencies dominated by short-term political appointees, with careerists playing an increasingly subordinate role, the risk of bad-faith actions may increase. Add the availability of two-year money and the likelihood of bad-faith actions increases even more.

This mix of ingredients could jeopardize congressional control. To maintain control, much time would be consumed by legislative hearings and investigations to determine what liberties an agency may have taken with its longer leash. The leverage of Congress at that point—after appropriations have been enacted—would be much less than it is when Congress decides to appropriate or withhold funds. Oversight would be done, but not the kind of broad scrutiny of why a program exists and whether it should continue.

#### Efficiency for Congress

With biennial budgeting, a newly elected President would have to put together a two-year budget after a few months in office—at a time when there is the least capacity in the administration to do the job. For example, if this proposal were in effect for the 107th Congress, a President elected in November 2000 would have to submit a two-year budget in April 2001 and basically live with those choices for two years. There would be only one other major opportunity in the President's four-year term to present a budget: in February 2003. For the years 2002 and 2004, presumably only modest adjustments would be permitted.

Multi-year authorization bills would be enacted in 2002 and 2004. That means that the new Congress elected in those years would face legislative decisions made by the outgoing Congress, even if the election called for new budget priorities. Of course one Congress cannot control the next. If Congress had been operating under biennial budgeting in 1995, the newly-elected Republican Congress would have tried to pass authorization bills to fulfill the Contract With America. If a new Congress decided to pass authorizations at the same time that it passed appropriations, some of the anticipated efficiency of biennial budgeting would be lost.

Budget estimates are inescapably flawed and conjectural even for one-year budgeting. Inaccuracies would multiply with two-year budgeting. Because of these built-in limitations, the second year of biennial budgeting would require legislative adjustments. Members of Congress would have to attend to supplemental bills, budget amendments, reprogramming and transfer requests from the agencies, rescissions, and other budget adjustments. In the second year—set aside for oversight—legislators, executive officials, and lobbyists may try to take advantage of whatever is moving through Congress (such as the supplemental appropriations bill) to satisfy "emergency" interests. The temptation would be great to use the second-year supplemental as an all-purpose legislative vehicle to meet a variety of needs.

These comments assume that the economy is relatively stable and prosperous, as it has been for a number of years. If there is a downturn or recession, Congress would be under pressure to make major corrective changes in response to the changed economy.

Struggling with imperfect or misleading budget estimates and projections, Congress would enact a two-year commitment in the first year of biennial budgeting possibly to discover toward the end of that year and into the next that budget aggregates and program spending have veered off the path. It would then be necessary for Congress, in the second year, to rework appropriations accounts by rescinding funds for programs and agencies that had been overfunded, and providing additional funds for accounts that needed money. To tighten legislative control, committees may decide to shift some reprogramming actions from simple notification by the agencies to prior-approval by the committees of jurisdiction. The executive branch, from its standpoint, might seek additional flexibility by requesting authority to transfer funds from Year 1 to Year 2.

The pressure to cut accounts the second year would be fueled by (1) unanticipated changes, (2) statutory caps on outlays, (3) a consequent need to find savings, and (4) a search for money to supplement some programs. It could be expected that many appropriations accounts would have

to be adjusted upward during the second year, either because of inadequate budget projections, unexpected events, or "emergencies" (however defined). Working within a fixed ceiling on budget authority and outlays, upward adjustments in some accounts would require cuts in others. It is unlikely that a reduction in one account would fully pay for an increase in another account. For every account that had to be moved upward, it might be necessary to take funds from two to three other accounts.

The report of the National Performance Review (the Gore report) claimed that agency officials inflate their estimates, "driving budget numbers higher and higher," and one budget director claimed that many budget directors "regularly ask for 90 percent more than they eventually receive" (pp. 15-16). Even if this scenario were true, biennial budgeting would not improve matters. Compelled to estimate spending for an additional year, agencies might hedge their bets by including additional funds to cover unforeseen expenses. The problem of padding is likely to increase under biennial budgeting.

If agencies are unable to prepare reliable two-year budgets, how will Congress respond? One option: fund programs at minimal levels over a two-year period, forcing agencies to return to Congress for supplemental funds the second year. That system would maximize congressional control but also maximize congressional work. If the initial two-year budget from the executive branch were poorly conceived, agencies would need budget amendments the second year to correct for mistakes. The budget workload for Congress the second year could be substantial.

Another legislative option would be to fund programs at generous levels over a two-year period to minimize the need to pass supplemental appropriations and remedial legislation. However, that could create a costly side-effect of biennial budgeting. Spending would be harder to control and so would the agencies.

I'm not sure how tax bills and reconciliation bills fit into biennial budgeting. I suppose reconciliation instructions would flow from the budget resolution adopted the first year, but the actual reconciliation bill—depending on its complexity—might not be enacted until the next year. Also, I would imagine that Congress would want to pass tax bills whenever it likes, as the House did most recently with the marriage tax penalty bill.

Whatever time is spent now on annual appropriations bills, congressional debate could be considerably lengthened as legislators consider funding agencies for a two-year period. The issues are likely to be more contentious, require greater attention, and probably make it more difficult to reach a consensus within Congress and between Congress and the President. If Congress finds the schedule so tight now that it is nearly impossible to pass appropriations bills each year, would it be able to pass two-year appropriations bills? That question is especially apt for the congressional session that follows a presidential election, because under biennial budgeting the President's budget is scheduled to be submitted in early April (*two months later than the current schedule*).

Through great stress and strain, Congress manages to enact appropriations bills by October or November. The job is wrapped up because Congress faces another presidential budget by early February the next year. Under biennial budgeting there would be no such deadline to force legislative action. As a result, the congressional schedule might relax and push the debate on the two-year budget into the early months of the second year. If that were to happen, Congress would have to complete the appropriations bills in the second year that is supposedly devoted to oversight.

#### Efficiency for Agencies

Instead of agencies receiving a guaranteed two years of money, to be allocated prudently by agency officials, everyone would be on notice that many accounts would be vulnerable to reductions the second year. In anticipation of cuts, some agencies might decide to shelter accounts from cutbacks by prematurely, and wastefully, obligating funds. Under these conditions, the values of predictability and efficiency for biennial budgeting would be undermined.

Another argument for the efficiency of biennial budgeting is the belief that agency managers, relieved of the annual chore of preparing and defending budgets, would be able to concentrate on long-term planning. But under biennial budgeting, congressional committees would still hold hearings every year and conduct informal meetings and authorize staff investigations to "see how things are going."

It is unlikely that agencies would have much more time under biennial budgeting to devote to management. Congress and OMB would continue to intervene and ask for reports. Instructions for OMB's basic data system already require several updates during the course of a year. The need for updates would increase if more than a year were involved. Congressional inquiries would be necessary to assure that agencies were not spinning out of control.

In most federal agencies, a major factor forcing many top appointees to make management decisions (often unpleasant) is the annual budget process. Without the deadlines and the discipline of that process, top-level officials might postpone many critical decisions. The annual budgeting process provides a helpful hammer to drive agency action.

Biennial budgeting would place new demands on agencies. At the present time, political appointees join an administration in the first year of a four-year cycle and must put together a budget for the next year. Only after a year or two are these appointees sufficiently expert and experienced to do the job well, but by that time a number of them have left government. According to *Obstacle Course*, a report of the Twentieth Century Fund Task Force in 1996, the average appointee "now stays on the job for only slightly longer than two years" (p. 44). How much more difficult it would be to come in the first year and assemble a two-year budget. The risk is high that the job would be done with inadequate care and knowledge, requiring many budget amendments the second year.

The task of budget preparation would be further complicated by the steady decline in the number of budget professionals in the agencies. Agency careerists are being lost in the 279,000-position reduction in government employees under the reinvention initiative of 1993. Agencies are losing the budgeting skills and institutional memory that would be needed to prepare reliable two-year budgets. There is no evidence that this diminishing capability will be reversed in the near future.

The Gore report recommended biennial budgeting to address concerns about the existing system. The report noted that, under the current system, agencies must estimate what they will need to run programs "in the fiscal year that begins almost 2 years later. This is like asking someone to figure out not only what they will be doing, but how much it will cost 3 years later—since that's when the money will be spent" (p. 15, emphasis in original). If those projections are difficult to make now, the problem would increase under clearly biennial budgeting. Under biennial appropriations, agency officials (and Members of Congress) would have to estimate budget authority three years out and expenditures four years out.

No doubt some programs are relatively stable, year after year, and would be good candidates for biennial budgeting. Entitlements and direct spending, representing a large chunk of the federal budget, may be good prospects for biennial budgeting. Most of those programs are funded by permanent appropriations and need no annual action from Congress. But the practice of passing reconciliation bills almost every year, requiring significant changes to entitlement programs, makes this part of the budget less stable than it would appear.

### Congressional Oversight

One goal of biennial budgeting is increased legislative oversight of federal agencies and federal programs. The second year is set aside to permit in-depth congressional hearings and investigations of executive branch performance. Whether that would happen is anyone's guess. As explained earlier, much of the "oversight" in the off-year would likely consist of monitoring agencies to see how they use or misuse their two-year allocation, rather than examine in any depth the overall performance of agency programs.

Biennial budgeting offers little in the way of relief or time to the authorizing committees. They already have a full load. Few of them are responsible for annual authorizations. Most have already shifted to a multi-year cycle (foreign aid, etc.). The multi-year decisions within their jurisdiction appear to fully occupy their time now. How would biennial budgeting free time for additional oversight? There may be savings on the Senate side, because Senators are assigned to both authorizing and appropriating committees. That is not the case in the House.

Two-year budgeting may offer some gains for authorizing committees. By doing their work in the off-year, they would not have to compete as much with the Budget and Appropriations Committees for the limelight. For the same reason, they should have an easier time of gaining access to the floor.

At the present time, only two committees do annual authorizations: the Armed Services and

Intelligence Committees. Theoretically, the switch to a two-year authorization cycle should free up time for oversight, but how would this work in practice? Oversight is already done in passing the annual authorization bills. Give a "10" for these efforts, particularly because the bills have a "must" quality, either legally or politically. Now switch to biennial budgeting and give a "10" for the two-year authorization bill. Would the oversight scheduled for the off-year add another "10"? If oversight in the off-year fell short of "must" activity and occurred in the same year that Members are running for election, the score might fall below a ten. Moreover, it is doubtful that the off-year would remain available purely for oversight. The Armed Services and Intelligence Committees might decide that it is necessary to pass supplemental authorization bills to deal with emergency issues.

Whatever oversight is done by authorizing committees under biennial budgeting, that benefit would be partly offset by the loss of oversight that occurs during action on the annual appropriations bills. One of the most effective oversight techniques consists of annual action by the Appropriations Committees on the appropriations bills. Agencies are more apt to take notice of oversight by the appropriators because they have clear sanctions available to penalize wayward administrators. How would all these changes net out? Given the political dynamics of committee activity and the uncertainties that are part of a legislator's life, who can say? There is at least a possibility that congressional oversight under two-year budgeting may be less effective than under one-year budgeting.

Biennial budgeting is tempting because of the bruising battles seen in recent years between Congress and the President, including government shutdowns and last-minute confrontations and concessions. Not a pretty picture, but these struggles are part of the work—some of the most important work—assigned to lawmakers.

### Conclusions

Because of unresolved questions, no one is in a position to state what will happen if biennial budgeting were applied to the entire federal budget. As one budget analyst has noted: "Few statements can be made with much certainty about the effects of a conversion to biennial budgeting, except that this would be a radical change from the current process."<sup>(6)</sup> Instead of adopting biennial budgeting for the entire federal budget, Congress may want to experiment with incremental change.

Certain programs and activities that have characteristics suitable for two-year budgeting could be singled out for biennial budgeting. After assessing the success or failure of these ventures, Congress would be better positioned to decide whether to take further steps toward biennial budgeting. The Appropriations Committees could be asked to identify certain agencies and programs that, from their experience, have a fairly predictable spending pattern to qualify them as candidates for biennial budgeting. Based on this initial step, other agencies and programs could be added if analysis indicated long-term stability.

There would be an advantage in beginning with agencies that are already on a multi-year authorization. Defense spending, with its established annual cycle for authorization and appropriation and the unpredictability of military commitments, seems to me the least likely candidate for biennial budgeting. The Pentagon still submits a two-year budget, but congressional action has been annual.

The Appropriations Committees could be asked to identify one or more appropriations bills that could be shifted to a two-year cycle. The Budget Committees could ask the General Accounting Office and the Congressional Budget Office to identify executive agencies and programs that might qualify for biennial budgeting. Right now we lack sufficient information to adequately gauge the effects of biennial budgeting.

### Appendix: The State Model

Part of the support for biennial budgeting comes from the model at the state level, where many legislatures adopt a budget for a two-year cycle. For example, the report of the National Performance Review (the Gore report) in 1993 noted that "Twenty states adopt budgets for 2 years."<sup>(7)</sup> There are two problems with that statistic. First, some states relied on biennial budgeting because their legislatures met only every other year. This pattern has no application to Congress, which has been in session every year since 1789. Second, if 20 states use biennial budgeting, 30 states do not.

The trend at the state level is clearly away from biennial budgeting and toward annual budgeting, a fact not mentioned in the Gore report. Where almost all of the states (44) used biennial budgeting in 1940, that number has been cut in half. Most state legislatures today are convening every year and hiring professional staff capable of reviewing budgets on an annual basis.

A recent study makes three additional points. In 1940, only four state legislatures held annual sessions. Obviously, the others had no choice but to adopt biennial budgeting. Second, it is an overstatement to say that 20 states use biennial budgeting. Thirteen of those states meet annually and can revisit their budgets. Finally, the states that follow biennial budgeting are generally less populous, suggesting that this method of budgeting may have little application to the national government.<sup>(8)</sup>

It may be that some states adhere to annual budgeting because that is the federal practice, and that if Congress switched to biennial budgeting those states might follow the same course. However, studies suggest that states moved to annual budgeting because they wanted to exercise closer control over the executive branch and because they had decided to meet in annual legislative sessions.

1. Robert J. Art, "The Pentagon: The Case for Biennial Budgeting," 104 Pol. Sci. Q. 193, 214 (1989).
2. Jonathan Rauch, "Biennial Budgeting Taking Root," National Journal, September 27, 1986, at 2319.
3. Roy T. Meyers, "Biennial Budgeting by the U.S. Congress," 8 Public Budgeting & Finance 21, 29 (Summer 1988).
4. Charles J. Whalen, "Biennial Budgeting for the Federal Government: Lessons from the States," Policy Studies Review, Vol. 14, No. 3/4, Autumn/Winter 1995/1996, at 11.
5. Congressional Budget Office, "Biennial Budgeting," Staff Working Paper, November 1987, at 3.
6. Roy T. Meyers, "Biennial Budgeting by the U.S. Congress," 8 Public Budgeting & Finance 21, 21 (1988).
7. From Red Tape to Results: Creating a Government that Works Better & Costs Less, Report of the National Performance Review, Vice President Al Gore, September 7, 1993 (Washington, D.C. Government Printing Office), at 17.
8. Ronald K. Snell, "Annual vs. Biennial Budgeting: No Clear Winner," 68 Spectrum 23, 23 (1995).

Mr. LINDER. Mr. Fisher, you seem to have spent your career looking deeply into the inner workings of our government, deciding that it doesn't work.

Mr. FISHER. I am here for 30 years. I love it. This is the greatest job you could have.

Mr. LINDER. Have you ever given any thought to whether we should get rid of either the authorizing or appropriating committees?

Mr. FISHER. I have given thought to it. I think authorizing committees, these are the committees that create programs. I don't know how you get rid of program committees like that.

Mr. LINDER. They provide the authority for spending. Why don't they do spending?

Mr. FISHER. You could—we have gone through periods where you have a committee that does both authorization and appropriation. We have gone back and forth over our history. The new one on the block, of course, is the Budget Committee. It is the third layer. To me you have to do authorization. You have to do appropriation. You could combine them.

There is a thought as to how much we need budget resolutions every year, particularly if it is interfering with the work of the Appropriation Committees in getting started. But we have three layers. I think there is good reason for returning to two layers.

Mr. LINDER. I am interested in your comment about losing talent because of the reinventing government proposals. Specifically, what changes were made in policy that caused career professionals to decide it wasn't worth staying?

Mr. FISHER. I think the policy was to get rid of close to 300,000 employees.

Mr. LINDER. Most of those were in the military.

Mr. FISHER. A lot were in the military.

One of the interesting changes is it is not as though government is smaller after losing 300,000 people. We simply contract out a lot of things that agencies used to do, and that is a concern to me, where you have people in the private sector doing things that agencies used to do with accountability to Congress.

Mr. LINDER. You have two or three comments in your written statement about short-term political appointees being less attentive to constitutional restraints than career professionals. Do you have any evidence to back it up?

Mr. FISHER. Oh, only a lot of anecdotal evidence, a lot of stories. I have written about it at times. It happens. I think it is natural that people coming in from the private sector, they just don't understand constitutional limits or even statutory limits or prerogatives of the committees, and their priority is to get something done for the President who put them in place.

Mr. LINDER. I tend to agree with your assessment. I am just wondering if you have any empirical information on that.

Mr. FISHER. I have never really seen anything in a sophisticated, statistical way. We have a lot of problems of this nature. I think they have less problems with careerists who are here and they know they have to come back over a long period of time and deal in good faith with committees.

Mr. LINDER. In your prepared statement you have talked about agency heads being very nervous about losing funding in the second year. Why is that any different than today?

Mr. FISHER. It is not wholly different. I think it is different probably because in the second year the estimates aren't going to be as good and people don't know what is going to happen. There would be more uncertainty the second year.

Mr. LINDER. If tax bills are going to be introduced in any event in year two, I think the only Department that doesn't—that thinks those tax bills are spending bills, it is a tax cut. How does this have an impact on our spending budget?

Mr. FISHER. Not on spending. I assume that anything of a revenue nature would be done the first year when you are trying to decide what your budget is.

Mr. LINDER. Whether it is income or outgo?

Mr. FISHER. Yes. And I am thinking that even if you try to do it all in year one there will be occasion where Congress will decide they want to pass tax legislation in year two.

Mr. LINDER. Have you looked at the performance budgeting of New Zealand over the last decade or so?

Mr. FISHER. I have not.

Mr. LINDER. We are going to have some testimony from a gentleman who was in their parliament. I find it pretty interesting because his point is going to be that they paid attention to the oversight, and it gave much more control to the legislative branch over the spending side of issues. It might be an interesting session.

Mr. Moakley.

Mr. MOAKLEY. I just wish the whole committee were here to hear your side of the story. I agree with most all of it. I know that many people really think that by going biennial is going to cure all the budget problems. It is not. We are going to have problems that are going to be stretched out a little bit.

I am afraid that the executive gets too much power out of this, and I am afraid the bureaucrats will end up making decisions that Congress should make themselves. And I would think that, if anything, probably much more study should go into whether we go biennial. And I think you can't look at a State because it has gone biennial and figure, hey, they did it so we can do it. They don't have to raise money for the military. They don't have to do a lot of things we have to do. And, as Ms. Irving said, when they go into their capital budget, they float bonds. I mean, we pay our gas tax and something else from somewhere else.

I think the United States is probably unique in its budget, and I think to use lesser countries that have just such a small percentage of our overall budget, a small percent of our duties, would really just be an exercise in futility. I don't think it would solve anything.

So I welcome you any time, and I am very happy you are here, and as I said, I only wish that the rest of the committee were here to hear your views.

Mr. FISHER. I wish I knew more why Members of Congress are coming to the point of wanting biennial budgeting. I am not in their shoes. I don't know how awful it is to schedule things on the floor and get it through and what the end of the year looks like.

Mr. MOAKLEY. I think because somewhere in their mind they feel this is going to cure a lot of the problems. But a lot of the problems are policy differences and not budget differences. I think, especially when you have such a small majority and when you are split between minority and majority, many of those problems get exacerbated because they are only a few votes separating one side from the other and, therefore, the fights get heavier and probably more dramatic. But I just don't think there is a magic wand out there.

As far as oversight, I think much of the oversight—some of the oversight is overlooked because it is not as sexy as going out and plowing new fields and bringing new programs on and finding other solutions to certain problems out there. Oversight is like going over the old stuff, and we have done it. We have been there, done that. So I just think that oversight doesn't necessarily get addressed when people have more time that they may save by having this bicentennial budget.

Just like you say, in Connecticut, they changed it for a purpose, and they never addressed the purpose. I think it probably could very well happen here.

Mr. LINDER. I think Mr. Moakley and I differ on one point, and that is I think the sense of those who are supportive of biennial budgeting is that it consumes not only on the floor, but in our process, it consumes an unbelievable amount of our time, and it is policy driven, and it flows over between House and Senate.

But there is a growing number of us who just believe we haven't had the time and taken the time to do the appropriate oversight, and I asked Mr. Lew if they viewed our oversight as helpful or hurtful. I would like to think that we could get involved in oversight activities that the administration would welcome and not just be digging up dirt on other things. I think there is a sense that we would do more of it and more constructively if we had a biennial budget.

Mr. FISHER. What has happened in recent years to put us in the position of maybe wanting to go to biennial budgeting? For more than 2 centuries Congress every year has been able to do the budget work, and I would think that is about as important a function an elected official can have, budgeting. I don't think it is clear that what has happened that makes it difficult to do every year. Something has happened. It is not clear to me.

Mr. LINDER. Number one, it has been around for some time, being kicked around. It is an old idea that has taken a lot of time for people to come around to.

Number two, I think Ms. Irving referred to the States having a different role than the Federal Government. Because when I was in the legislature, that was the job, to pass the budget. That is virtually what we did. And I think there were one or two policy issues that were large that the governor was proposing that year that had to do with how the money was going to be spent anyway. But here we have many other things to be concerned about—the military, HHS policy decisions—and we are not paying the kind of attention that we think we ought to be.

Ms. IRVING. Oversight, not "gotcha" oversight, but what you call constructive oversight, is really hard work, and it involves re-examining your base. Every year some universities put out a memo



to its faculty saying the students entering today as freshman were born in year X, they don't know what a record player is, they have never seen a dial telephone, they have always had computers in their lives and AIDS in their lives. They can't imagine anyone who didn't have a VCR. They don't know who Ronald Reagan was, much less that he was shot.

Yet many of the programs in existence today, were created before that child was born. So you need to re-examine your base and think about what government is doing and how.

I guess the question really to ask yourselves is, is what about the annual budget cycle is stopping oversight? And what is it about a shift to biennial appropriations that will make it more likely or more successful to do that kind of oversight? How do you do cross-cutting oversight? Is what is really stopping you the annual process or is it the fact that there are fundamental disagreements both in Congress and among the American people?

Mr. LINDER. I will give you an example. Until 1995 we had a national helium reserve started in 1929 to make sure we would have helium for our next war. In 1993 and 1994, the first 2 years I was here, that became a fight on an amendment on an appropriations bill. The majority, which wanted to pass the bill, had to stand in lockstep against cutting this program for fear it would lose adherence.

All of these programs developed over constituencies, and rather than having that fight on an appropriations bill, it seems to me some honest public discussion of the issue could have brought the two sides together on it in some other policy environment than on the floor on an appropriations bill. Every one of these programs develops their own constituencies.

It was Ronald Reagan who said that the closest thing to perpetual life was to be in a program, and we have programs throughout that either Joe or I could cut if you gave us each a wand. They would be probably different, but if we sat down and talked about it we could realize together that some of these programs aren't serving a useful purpose anymore. But when it comes down to the debate on the program being an amendment on an appropriations bill, it doesn't get the same kind of attention it would in another setting.

Mr. MOAKLEY. Mr. Chairman, may I at this time just make a statement? I really extended the budget term to bicentennial. I meant biennial when I said bicentennial.

Mr. LINDER. We will forgive anything.

Ms. IRVING. I think one of the things Lou mentioned is very important. These bills implicitly assume you have to move everything to the same cycle. They shift the budget resolution, authorization and the President's budget. But multiyear authorizations are already the norm.

You could argue that, given that you have had multiyear fiscal policy agreements, you could easily shift to multiyear biennial budget resolutions if you could figure out a way to adjust for changing economics and revenue estimates; you could still keep your annual appropriations cycle; to the extent the appropriations process is delayed because of waiting for the budget resolution, this shift might help. You need an adjustment ability in there, especially

given what has been happening to revenue estimates lately. You don't have to do the same thing to all parts of the process. That is another way to think of phasing if you are trying to experiment: you could move some things but not everything.

Mr. LINDER. Thank you both. Would you each be willing to receive written requests for more information?

Mr. FISHER. Be glad to.

Mr. MOAKLEY. Thank you very much. Thank you.

[Whereupon, at 11:50 a.m., the committee was adjourned.]

## BIENNIAL BUDGETING: A TOOL FOR IMPROVING GOVERNMENT FISCAL MANAGEMENT AND OVERSIGHT

Thursday, March 16, 2000

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON RULES,  
*Washington, D.C.*

The committee met, pursuant to call, at 9:30 a.m. in Room H-313, The Capitol, Hon. David Dreier [chairman of the committee] presiding.

Present: Representatives Dreier, Goss, Linder, Hastings, Moakley and Slaughter.

The CHAIRMAN. The committee will come to order. We have just found that we begin with two Members, and now Mr. Hastings is here, it is three. So we appreciate all of your being here.

This is the third and final hearing in a series that we have had to examine the various proposals for establishing a 2-year budget and appropriations cycle.

We have already heard from our colleagues and from the executive branch and congressional support agencies. Today we will receive testimony from members of the academic community, representatives of budget reform organizations, State legislatures and the U.S. Chamber of Commerce. Later in the hearing we will be joined by our former colleague Leon Panetta, who also served as Director of the Office of Management, and Budget and Chief of Staff of the White House, and Chairman of the House Budget Committee. He will be testifying, if God and technology willing, by video conference from California.

But I want to first welcome our witness, our very respected former colleague with whom I have had the pleasure of working on a wide range of international policy questions, as well as institutional questions here. He is the director of the Woodrow Wilson International Center for Scholars. He and I served together as co-chairmen back in 1993 of the Joint Committee on the Organization of Congress, which actually recommended the adoption of a 2-year budget and appropriations process. He was the deciding vote which allowed biennial budgeting to be part of the joint committee's recommendations to the House. I want to commend him for his continued dedication to following through with the work product of the joint committee.

Before I begin, I want to make note of the fact that just last night during their deliberations on the fiscal 2001 budget resolution, the House Budget Committee for the first time adopted a

sense of the House amendment calling for the consideration of a biennial budget process as part of a comprehensive budget process reform.

Let me state that I consider biennial budgeting to be comprehensive budget process reform because of its potential to improve government fiscal management, programmatic oversight, budget stability and predictability and government cost-effectiveness. I would also note that the Rules Committee is already on record in support of other budget process reforms by nature of the fact that we have favorably reported out H.R. 853, the Comprehensive Budget Process Reform Act, last August.

I know I also speak for the distinguished Vice Chairmen of the committee Mr. Goss in saying that we will continue to work with the Budget Committee to advance these various reforms here in the House.

So I again extend a very warm welcome to you, Lee Hamilton. We are glad to have you back, and at this point I would like to call on Mr. Goss.

[The prepared statement of Chairman Dreier follows:]

**Statement of Congressman David Dreier,  
Chairman, Committee on Rules**

The hearing will come to order. This is the third and final hearing to examine various proposals for establishing a two-year budget and appropriations cycle.

We've already heard from our colleagues and from the executive branch and congressional support agencies. Today, we will receive testimony from members of academia, and representatives of budget reform organizations, state legislatures and the U.S. Chamber of Commerce. Later in the hearing, we will be joined by our former colleague, Leon Panetta, who also served as Director of the Office of Management and Budget and Chairman of the House Budget Committee. He will be testifying from California by video conference.

I want to particularly welcome our first witness, my respected former colleague and the Director of the Woodrow Wilson International Center for Scholars, Lee Hamilton. Lee and I served together as the House co-chairmen of the 1993 Joint Committee on the Organization of Congress, which recommended the adoption of a two year budget and appropriations process. His was the deciding vote which allowed biennial budgeting to be part of the Joint Committee's recommendations to the House. I want to commend Lee for his continuing dedication to following through with the work product of the Joint Committee.

Before we begin, I want to make note of the fact that last night, during their deliberations on the fiscal year 2001 budget resolution, the House Budget Committee adopted a sense of the House amendment calling for the consideration of a biennial budget process as part of comprehensive budget process reform.

Let me state that I consider biennial budgeting to be comprehensive budget process reform because of its potential to improve government fiscal management, programmatic oversight, budget stability and predictability, and government cost effectiveness. I would also note that the Rules Committee is already on record in support of other budget process reforms by nature of the fact that we favorably reported H.R. 853, the Comprehensive Budget Process Reform Act, last August.

I know I also speak for the Vice Chairman of the Rules Committee, Porter Goss, in saying that we will continue to work with the Budget Committee to advance these various reforms in the House.

Mr. GOSS. Thank you, Mr. Chairman. I think you have summed it up extremely well and underscored our commitment. The committee has moved forward on this, and I think that the evidence of that is in the quality of witnesses we have before us today. And I join you in welcoming Mr. Hamilton back.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. It is always nice to be with Lee, and, Mr. Chairman, I want to thank you again for holding these hearings on this very important proposal.

I know we have some long-term proponents of biennial budgeting on the schedule, but I expect we will hear some words of caution about the idea, and I would just like to remind my colleagues of just a few points.

The evidence and common sense tells us there will be more supplementals under a biennial system than under an annual one, and this obviously is not a good thing. In my opinion, switching to a biennial system will make it harder to reach agreement on the budget in a timely fashion for two reasons: First, the agreement has to cover a longer period, namely, the entire Congress; and secondly, without the need to turn quickly to next year's budget, it is more likely that the difficult issues will slop over into the next year.

Most years we spend less than one-fifth of our time on budget-related measures. Authorization bills are not crowded off the schedule. They are more likely to falter over policy disputes, not lack of time. And good oversight is a challenge no matter how much time we have.

The fact is biennial budgeting does not lead to more or better legislative oversight. Connecticut converted to a biennial budget in 1993 to improve oversight and program review, and according to the General Accounting Office, State officials acknowledged that there has been no improvement in either of these areas.

Biennial budgeting actually weakens oversight in two ways. First, it removes 1 year of appropriations committee program review; and second, it shortens the leash on executive branch officials.

I hear some of my colleagues cavalierly saying, the current system just hasn't worked, so let us try something else. I am surprised to hear some of my conservative colleagues embrace radical change without considering all the consequences, but if my friends are dead set on going ahead with this proposal, I urge them to go very slowly, and please don't ask a brand new President to initiate a brand new process. Do not put the entire Federal budget on an untested biennial system all at once. Some parts of the biennial budget will be better suited to a biennial process; some will not.

That is what Arizona did it when it moved incrementally to bi-centennial budgeting over several years, starting with the portion of their budget that was most stable. And keep in mind, what some States call biennial budgeting wouldn't be recognized as that by other States.

Each year Ohio works on a 2-year plan for half of the budget. One year they decide on a 2-year operating budget. Next year they

decide on the capital budget. This is continual budgeting and not biennial budgeting under my definition.

So, Mr. Chairman, I really believe it is a mistake to move in this direction, but if you insist on change for change's sake, let us find the way to get there that causes the least damage. Thank you.

The CHAIRMAN. Thank you very much, Mr. Moakley.

[The prepared statement of Mr. Moakley follows:]

**Statement of Congressman John Joseph Moakley,  
Ranking Member, Committee on Rules**

Mr. Chairman, I want to thank you again for holding hearings on this proposal.

I know we have some long-term proponents of biennial budgeting on the schedule but I expect we will again hear some words of caution about the idea.

I want to remind my colleagues of a few points:

The evidence, and common sense, tells us that there will be more supplementals under a biennial system than an annual one. That is obviously not a good thing, Mr. Chairman.

In my opinion, switching to a biennial system will make it harder to reach agreement on the budget in a timely fashion for two reasons: first, the agreement has to cover a longer period - namely an entire Congress, and second, without the need to turn quickly to next year's budget, it is more likely that difficult issues will slip over into the next year.

Most years we spend less than 1/5 of our time on budget-related measures. Authorization bills are not crowded off the schedule; they are more likely to falter over policy disputes, not lack of time. And good oversight is a challenge no matter how much time we have.

The fact is biennial budgeting does not lead to more or better legislative oversight.

Connecticut converted to a biennial budget in 1993 to improve oversight and program review. According to the general accounting office, state officials acknowledge that there has been no improvement in either of these areas.

Biennial budgeting actually weakens oversight in two ways: (1) it removes one year of appropriations committee program review and (2) it shortens the leash on executive branch officials.

I hear some of my colleagues cavalierly say: "the current system hasn't worked so well, let's just try something else." I am surprised to hear my conservative colleagues embrace radical change without considering the consequences.

But if my friends are dead set on going ahead with this proposal, I urge them to go slowly. Do not ask a brand new president to initiate a brand new process. Do not put the entire federal budget on your untested biennial system all at once. Some parts of the federal budget will be better suited to a biennial process. Some will not.

This is what Arizona did when it moved incrementally to biennial budgeting over many years, starting with the portion of their budget that was most stable. And, keep in mind, what some states call biennial budgeting wouldn't be recognized in other states. Each year Ohio works on a two-year plan for half the budget. One year, they decide on a two-year operating budget; the next year, they decide on the capital budget.

Mr. Chairman, I believe it is a mistake to move in this direction but, if you insist on changing for change's sake, let us find the way to get there that does the least damage.



The CHAIRMAN. Let me just make a couple of comments on your statement. First, I was talking to our former colleague Leon Panetta day before yesterday on the telephone in anticipation of his coming, and he told me that he has been pushing this since the mid-1970s, so we have really taken a quarter of century, and that is the point of the hearings. We are trying to spend a lot of time thinking about it. When Lee and I chaired the joint committee on the organization of Congress in 1993, we had exhaustive hearings on this. So we spent a great deal of time looking at it.

So your point on inflicting this on a new President, I think that the statement that was made by your former employee, now the Director of the Office and Management and Budget, Jack Lew, he was very clear in encouraging us to spend time thinking about that transition process that would take place for a new administration, and so I think that there is some very valid points that have been raised.

Mr. MOAKLEY. But, Mr. Chairman, you have to take the testimony where it comes from. Absolutely the administration would love to have a biennial process. It puts them in a stronger position. So Jack Lew, my dear friend, is in the administration. Leon Panetta later became the Budget Director for the administration. So I think that the executive department would love to have it. I think it weakens the legislative process, and it doesn't make anybody more interested in oversight.

The CHAIRMAN. Well, we are going to continue that discussion. Mr. Linder.

Mr. LINDER. I am just anxious to hear the testimony of the thoughtful and sober gentleman from Indiana. His style is sorely missed around here. Thank you.

The CHAIRMAN. Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman. I will say right up front, I am a strong proponent of the biennial budget. I suppose that is because of my background in the legislature. Nevertheless there are some concerns that are obviously legitimate concerns from those that oppose that, and I hope that these public hearings will address some of those concerns that the other side has.

At this time Mr. Chairman, I would like to submit a letter by Governor Locke from my home state of Washington, and I look forward to the testimony we have today.

[The information follows:]

GARY LOCKE  
Governor



STATE OF WASHINGTON  
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • TTY/TDD (360) 753-6466

March 9, 2000

The Honorable David Dreier  
The Honorable Doc Hastings  
House Committee on Rules  
H-312 Capitol Building  
Washington, D.C. 20515-6269

Dear Chairman Dreier and Congressman Hastings:

I am writing in response to your recent request for information about Washington's experience with biennial budgeting.

Washington has operated with biennial budgets since statehood. This practice originally coincided with the scheduled operation of the state Legislature, which met every other year in odd-numbered years. In 1979, a constitutional amendment created an annual session of the Legislature, resulting in 60-day sessions in even-numbered years and 105-day sessions every other year when the biennial budget is considered. Annual legislative sessions provide the opportunity to adjust biennial budgets (through a "supplemental budget") without calling a special session.

The chief benefits of biennial budgeting are well documented: a longer planning horizon for policy consideration; more time to implement and evaluate programs before the next budget; and greater financial certainty for program managers.

In Washington, annual legislative sessions substantially mitigate the potential downside of a biennial budget approach – i.e., the probable need to revise the budget sometime before the end of the two-year fiscal period. While the flexibility exists to substantially overhaul the current budget during each session, the tradition of a two-year budget timeframe remains strong. Our supplemental budgets tend to be limited to technical corrections for revised assumptions or in response to emergent situations or extraordinary opportunities.

I hope this information is helpful in your deliberations. If you need further details, please contact my budget director, Marty Brown, at the Office of Financial Management, at (360) 902-0555.

Sincerely,

A handwritten signature of Gary Locke in black ink.  
Gary Locke  
Governor

The CHAIRMAN. Thank you Mr. Hastings and without objection, it will appear in the record.

Let me say that we are audiocasting this to the World Wide Web, and so I encourage you to turn your microphone on, Lee, so that your wonderful words of wisdom can go throughout the entire world. And welcome. It is nice to have you back, and look forward to your testimony.

**STATEMENT OF LEE HAMILTON, DIRECTOR, WOODROW  
WILSON CENTER**

Mr. HAMILTON. Thank you very much, Mr. Chairman, and my friends and colleagues on the committee, former colleagues. Of course, I will ask that my statement be made part of the record in full.

The CHAIRMAN. Without objection.

Mr. HAMILTON. I will try to just hit some of the highlights of it. I want to thank you for giving me this opportunity to appear before you, and I appreciate, Mr. Chairman, the leadership you have given on this issue.

And I recall with great favor our work together on the Joint Committee on the Organization of Congress. One of the main recommendations of that joint committee was for biennial budgeting. It was not adopted at the time, but I still think it is a very sound proposal.

I understand this is an issue you have gone over pretty carefully in the past, and I don't want to take unduly time from your deliberations. I do think biennial budgeting would improve government, primarily for a simple reason, and that is I think it would free up Members' time for important work that is now being squeezed out by competing pressures. I will not try to recap the arguments that you are very familiar with and which I set out in the early part of my statement. They are familiar to you, I am sure.

I have come to the view—came to the view, I guess, some time ago that the present budget process was just too cumbersome, and that the process made every problem in this body a budget problem. That, perhaps, is a little exaggeration, but not too much. Now, obviously, the budget is enormously important, but to view every problem that you confront as strictly a budget problem, and that tends to be the case, it seems to be, more and more, is not good, and Congress, I think, is in a kind of a perpetual budget cycle with a budget crisis nearly every year. So I don't think this process of the way we handle the budget now serves the American people very well. I think it is too—far too little oversight is involved. I am going to talk a little bit more about that.

I believe under the present system—and here I would take odds with my friend Mr. Moakley—I believe under the present system you have way too much power in the President as it is today in the budget process. The President is by far the dominant figure in the budget process today. His budget is adopted—95, 90 percent of it is just adopted. I can remember Members of Congress saying over and over and over again, the President's budget is dead on arrival. Well, that is malarkey. A President's budget is adopted by the Congress year after year, 90, 95 percent of it, and when you come down

to the final negotiations on a budget, all the power is with the President—or not, all of it but most of it, simply because he has got the veto power, and he has the bully pulpit.

To say that the President does not have disproportionate power today in the budget process is to totally ignore the reality. The President is overwhelmingly the chief budget officer of the United States Government. So the question is how do you begin to get back some of that clout and power in the executive branch, and I disagree with my friends who think that the biennial budgeting process would cede power to the President. The President already has most of the power with regard to budget.

I think the Congress spends way too much time on the budget. I think it leaves very little time for long-term thinking—I am going to pick up that in just a moment—and having served on authorizing committees, I think the authorizing committees today are almost out of the picture; not completely, I guess, but almost out of the picture because of the total focus on the budgeting process here.

Now, let me emphasize two things about the biennial budget process that I think is very important. Number one is oversight, and number two is long-term thinking. I know you have had a lot of testimony on the oversight point. I believe that the oversight function of the government is—of the Congress is enormously important. I think it is at the very core of good government. I think the Congress obviously has to do a lot more than just write the law. It has to make sure those laws are carried out the way Congress intended.

Oversight has a lot of purposes, and the blunt fact of the matter is the way Congress operates today, we just don't have time for good oversight. Let us take a look at the congressional schedule in the House. Most of the time we know you are meeting from Tuesday night to Thursday night. That means everything gets compressed into Wednesday and Thursday. Legislation has to be produced. Very little time for extended oversight hearings under the present schedule of the Congress.

Now, biennial budgeting is not going to solve all the problems, but I think it would give the committees more time for rigorous oversight.

Oversight makes sure programs conform with congressional intent and ensures that programs and agencies are administered in a cost-effective and efficient manner. It ferrets out waste, fraud and abuse. It sees whether or not certain programs have outlived their usefulness, and it compels the administration to make an explanation or justification of policy; incidentally, something that administrations often do not like to do, to articulate policy completely. So I believe oversight is one of the most important and effective tools of the Congress if it is properly done.

I would not argue that biennial budgeting will increase the power of the Congress relative to the President. I would argue that it would give the Congress the opportunity to increase the power relative to the President, and that opportunity would come about if the Congress aggressively pursued its oversight responsibility.

I think oversight can protect the country from an imperial Presidency, and I think it can protect the country from bureaucratic ar-

rogance, both of which are all too common, in my view, in government today.

The responsibility of the Congress in its oversight function is to look into every nook and cranny of government affairs and uncover wrongdoing and put the light of publicity on it. It is an enormously important power, and I believe the Congress underuses and underestimates its power in oversight. I think that Federal agencies begin to get very nervous whenever someone from the Congress starts poking around, and I believe that is to the good. Federal bureaucracies do not stay on their toes unless they expect review and oversight from the Congress.

My personal belief, and I am sure I am in the minority here, is that oversight is every bit as important a function of the Congress as passing legislation. President Wilson thought, quote, "The informing function of Congress should be preferred even to its legislative function," end of quote. So a very strong record of congressional oversight or of continuous watchfulness I think would do a lot to restore public confidence in this institution.

I am, therefore, encouraged in the interest that the committee and many of you have shown in effective oversight, and I believe that moving to the biennial budgeting process would give oversight a significant boost by freeing up the committee's time and giving the Congress an opportunity to be more assertive with regard to the executive branch.

Now, the second point I want to emphasize is the long-term strategic thinking. The first year I was in the Congress, a very wise person said to me that the problem with the United States Congress—this was back in 1965—the problem was that Members never had enough time to put their feet up on the desk, to look out the window and to think about the long-range needs of the country. I have had many, many occasions to reflect on the wisdom of that statement, and I have come to appreciate it more and more.

The fact of the matter is that the Federal Government simply does not spend enough time in long-term thinking. Now, it may be unavoidable. Policy-makers have to focus on urgent problems. You have what is becoming now a popular phrase: The tyranny of the in-box. You can't give attention to challenges that lie over the horizon.

I think we have to learn something from the private sector here. The private sector is much, much better in thinking out ahead to the problems that they are going to be confronted with, and we need to find ways and means of improving the ability of not just the Congress, but of the executive branch as well to think long term. There are all kinds of challenges out there.

I had a conversation the other day, I would recommend it to you. Just sit down with one of the leading demographers in the country and talk with them about what they can see the problems are going to be in this country on the basis of the demographic makeup of the country today and the trends that are coming. It will astound you what they can already see in terms of challenges the country is going to confront. Congress doesn't do enough of that, but neither does the executive branch, and we have got to find ways and means of making the Congress and the executive branch able to think long term, to think ahead of the next election, to

think ahead of the next 6 months, to think ahead of the next year, to think in terms of 5 years, and 10 years, and 20 and 30 year time frame.

Now, I know that some of that is being done in the executive branch, some of it is being done in the Congress, and I applaud all of that. I mentioned to one of you a moment ago that we had George Tenet come down to the Wilson Center a few days ago and talk about the CIA, and he was saying— Mr. Goss will be interested in this, I am sure he has heard it from him—that he must free up more time for his analysts to look to the future because the Agency has been too focused on the short term, and I think the Congress needs to do the same thing.

Congress is predominantly focused on short-term needs for many reasons, but one of the principal ones is that you have a 1-year budget cycle.

Now, the point of this kind of long-term thinking is not that the government is going to solve all of these problems easily, but I think we should at least be considering the issues and examining how best to deal with them, and moving to a biennial budgeting would allow the Congress, I believe, to focus more on some of America's future challenges, much more than it currently does.

So, Mr. Chairman, I conclude my testimony. There are a number of reasons for it. I know you are familiar with them. I would emphasize the oversight function which I think needs to be markedly improved in the Congress, and the ability to think long term, and I think the biennial budgeting process would assist, would give us the opportunity, I guess this is the best way to put it, to improve those functions and to improve the performance of the Congress. I thank you.

The CHAIRMAN. Thank you very much, Mr. Hamilton.

[The prepared statement of Mr. Hamilton follows:]

**Statement of The Honorable Lee Hamilton,  
Director of the Woodrow Wilson Center**

Mr. Chairman, Mr. Moakley, Members of the Rules Committee -- thank you for giving me this opportunity to offer you my thoughts on biennial budgeting.

First, let me commend you for holding these hearings. I believe biennial budgeting holds real promise for improving the operations of government. I am pleased that its potential is being examined closely by this committee. I am also encouraged by the support that has been given by Members on both sides of the aisle to Chairman Dreier's sense of the House resolution in support of biennial budgeting.

In 1993, I served as co-chairman with Chairman Dreier, as well as Senators David Boren and Pete Domenici, on the Joint Committee on the Organization of Congress. One of the main recommendations we made for reforming the Congress was to adopt biennial budgeting. Although that recommendation was not then adopted by Congress, I believe that it remains sound.

There are both pluses and minuses to biennial budgeting, but overall I think it would improve government operations -- primarily because of its potential to free up Members' time for important work that is now being squeezed out by competing pressures. Biennial budgeting is not a cure-all for every obstacle to the efficient functioning of government. We must not have exaggerated expectations of what it can do. However, moving to biennial budgeting would create greater budget and program stability, strengthen programmatic oversight and promote more long-range strategic thinking.

By not having to pass a new budget every year, Congress would have more time to review how laws are working, and the executive branch and state and local governments would have a more stable budget environment to plan and carry out their programs. During the second year of a two-year budget cycle, Congress would still have to spend some time adjusting or supplementing the budget for changing conditions or unforeseen events, but overall it would be able to focus more on identifying problem areas in government operations and looking ahead to the policy needs of the next biennium and beyond.

The current appropriations process is too cumbersome and time-consuming. Senate Majority Leader Lott has estimated that Congress is now spending two-thirds of its time on the budget and appropriations. That is simply too much. It seems Congress is in a perpetual budget cycle, with budget crises nearly every year. The deadlines for the budget process are rarely met -- Congress has met the deadline for completion of the budget resolution only four times during the 26 year history of the Budget Act -- and appropriations bills end up being dumped into enormous omnibus bills which are, from the standpoint of good process, if not content, abominations. The authorization committees are often simply bypassed. Members also have little time for non-budget activities because Congress is working a reduced schedule, with most congressional business taking place only between Tuesday and Thursday for much of the year. This process does not serve the American people well.

Biennial budgeting would help remedy some of these problems. It would allow the authorizing committees -- where the greatest policy expertise lies -- to regain some of their lost influence. It would give Congress more time in the second year to resolve policy differences, fostering a smoother budget process in the subsequent year and potentially reducing the number of controversial policy riders attached to appropriation measures. These changes could markedly improve the effectiveness and efficiency of Congress.

For the executive branch and state and local governments, biennial budgeting would mean more budget predictability and program stability, enabling them to use their funding more efficiently, focus more on program implementation and plan farther in advance. The levels of the vast majority of federal funding are predictable. They do not change dramatically from year to year. Biennial budgeting would reduce the amount of documents agencies must produce and the number of times administration officials must testify to justify their budget requests.

Some opponents of biennial budgeting argue that it would take control over programs away from the Congress in the second year and thereby reduce government accountability. But Congress would retain the capacity to enact supplemental spending measures in the non-budget year to deal with unforeseen problems. This flexibility would allow Congress to react to new developments and remain in control of the purse strings. Moreover, if oversight is performed rigorously,

Congress will be monitoring the operations of government agencies and programs more closely than it currently does.

So let me turn to two of the most important reasons for adopting biennial budgeting: to strengthen congressional oversight and encourage long-term strategic thinking.

### Oversight

Oversight of how effectively the executive branch is carrying out congressional mandates is an enormously important function of Congress. It is at the very core of good government. Congress must do more than write the laws; it must make sure that the administration is carrying out those laws the way Congress intended.

That is why I was frequently frustrated during my years in Congress by the small amount of time available for conducting oversight. On many committees I served on, I would have liked to do much more oversight, but we simply did not have time for it because of the various other demands of the job. As the pressures of fund-raising, media attention, and working out the budget and appropriations have increased over the years, programmatic oversight has declined. Biennial budgeting would not take away all of these competing pressures, but it would give committees more time overall to pursue rigorous oversight of programs and agencies. Congress would be able to focus greater attention on how federal funds are being spent.

Oversight has many purposes:

- \* to make sure programs conform to congressional intent;
- \* to ensure that programs and agencies are administered in a cost-effective, efficient manner;
- \* to ferret out (in the oft-heard phrase) "waste, fraud, and abuse";
- \* to see whether programs may have outlived their usefulness;
- \* and to compel an explanation or justification of policy.

Oversight can sometimes get off-track -- becoming excessively partisan and focused on personal investigations and possible scandals rather than programmatic review. But when done properly, oversight is one of the most important and effective tools of Congress.

Oversight can protect the country from the imperial presidency and from bureaucratic arrogance. It can expose and prevent misconduct, and maintain a degree of constituency influence in an administration. The responsibility of oversight is to look into every nook and cranny of government affairs, uncover wrongdoing and put the light of publicity to it.

Congress needs a large number of oversight methods to hold agencies accountable because different methods have their own strengths and weaknesses. Periodic reauthorization, personal visits by Members or staff, review by the General Accounting Office or inspectors general, subpoenas, and reports from the executive branch can all be useful. The authorization, appropriations, and governmental affairs committees, as well as special ad hoc committees, can all play important roles in oversight.

In many ways Congress underestimates its power in oversight. Agencies start to get a little nervous whenever someone from Congress starts poking around, and that is probably to the good overall. Federal bureaucracies do not stay on their toes unless they expect review and oversight from Congress.

My personal belief is that conducting oversight is every bit as important as passing legislation. President Woodrow Wilson thought that "the informing function of Congress should be preferred even to its legislative function." Our founding fathers clearly recognized that "eternal vigilance is the price of liberty".

A strong record of congressional oversight -- of "continuous watchfulness" -- will do a lot to restore public confidence in the institution. It will show that Congress is taking its responsibilities seriously and is able to work constructively to improve government performance.

That is why I am encouraged by the efforts of Speaker Hastert, Chairman Dreier and others to



have the House return to its traditional programmatic oversight functions.

Moving to biennial budgeting would give oversight a significant boost by freeing up the committee workloads over the two-year cycle.

### Strategic thinking

Biennial budgeting would also free up time that could be used by Congress and the executive branch to focus more on long-term strategic thinking -- examining the challenges our country will face over the coming decades.

Some years ago a careful observer of Congress advised me that the worst thing about congressional service was that Members never have time to put their feet on their desks, look out the window, and think about the long-range needs of the country. I have come to appreciate the wisdom of that remark.

The federal government simply does not do enough long-term thinking. It may be unavoidable that policymakers focus mainly on urgent problems, headlines and crises, but far too little attention is given to challenges that lie just over the horizon. Federal programs that involve long-term investments -- for infrastructure, research and development, and education -- are dwarfed by federal spending for current needs and consumption. In contrast to the strategic, long-term planning of most businesses, there is typically little systematic discussion in Congress of the most important long-term challenges facing our nation.

These challenges are numerous: What are our long-term national security needs? How can we maintain a prosperous and open economy well into the future? How can we make sure Americans will have the skills they need to succeed in that economy? What long-term environmental challenges -- both domestic and international -- will we face? What problems will be posed by the growth of information technology, biotechnology and genetic engineering? How can we ensure that we will continue to have adequate food and energy supplies? What will America's changing demographic make-up -- which, 25 years from now, will include a much higher proportion of older Americans, Latinos and other non-whites -- mean for our political, economic and social life? What will be the consequences of continued or growing global economic inequality?

Certainly some work is done by Congress -- and done well -- on long-term issues. Committees hold hearings on topics ranging from human cloning to the baby-boomer Social Security crunch to future terrorist threats. But overall, I believe Congress should be doing much more. If we fail to adequately address these long-range questions, we may miss opportunities and overlook steps we should be taking today that could make tomorrow's problems far more manageable.

Looking carefully at the challenges of the future is not esoteric speculation or crystal ball-gazing. Many future challenges are predictable. I recently met with one of our country's top demographers, who laid out a variety of changes that are likely to flow from the increased immigration of recent decades. The CIA, recognizing the importance of looking at future challenges, is now working to free up more of its analysts' time for future studies, and is reaching out to tap the long-range thinking of more academics and private sector experts.

Congress does have some stipulations for long-term thinking. Since 1974, the House has required committees to "undertake futures research and forecasting" on matters within their jurisdiction. The Congressional Research Service and the General Accounting Office are authorized to undertake anticipatory research.

But Congress remains predominately focused on short-term needs, in part because the one-year budget cycle leaves congressional committees with little time to look ahead.

To bolster long-range strategic thinking, it might be helpful to require committees to report regularly on their work looking at emerging trends and long-term challenges. It might also be helpful to require the President to report every few years on the critical challenges facing the nation in future decades.

One of the initiatives I have begun at the Wilson Center is to develop a coordinated focus on examining future domestic and international challenges. As we launch this initiative, we will be recruiting scholars to help identify the emerging challenges most in need of attention and the top thinkers and practitioners who can propose approaches and solutions to them. The Center would

be pleased to be of help to Members and congressional staff on these issues in any way it can.

I also encourage Congress to make use of the great resources of the Congressional Research Service, which can provide excellent forecasts of future trends and challenges. [Attached to this testimony as an example of this kind of forecast is a copy of an outstanding report on future trends written by Walter Oleszek of CRS in 1998.]

The point of this kind of long-term thinking is not that the federal government could, or should, resolve all of America's long-term problems, but that we should at least be considering these issues and examining how best to deal with them.

Moving to biennial budgeting would allow Congress to focus on America's future challenges much more than it currently does.

#### **Conclusion**

Biennial budgeting will not resolve all of the problems in the budget process and the operations of government, but I believe it will improve the effectiveness of government by providing a more stable budget environment and allowing for a greater focus on oversight and long-range thinking.

I look forward to answering any of your questions.

Thank you.

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## Issues for the 21<sup>st</sup> Century Congress

June 1998

Walter J. Oleszek  
Government Division

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## Issues for the 21<sup>st</sup> Century Congress

"There is nothing more dangerous than standing still in a world that is changing," remarked French President Jacques Chirac.<sup>1</sup> It is certainly plain that numerous changes --demographic, economic, technological, and more--are already underway (some for many years) but their effects will manifest themselves more significantly in the fast-approaching 21<sup>st</sup> century. These fundamental trends, alone or in combination, have the capacity to reshape Congress's agenda and decisionmaking processes.

The purposes of this report are to highlight some of the most significant and emerging national and international developments that seem certain to reconfigure the work and agenda of the legislative branch. Worth remembering is that the future often outwits the best prognosticators. Many of the largest events of this century were never or only dimly foreseen by pundits of the period, such as the Great Depression, the energy crisis of the mid-1970s, the rise and then fall of the Berlin Wall, cloning and genetic engineering, the reach and power of the Internet, the development of new reproductive technologies, or the recent Asian financial crisis. "Expect the unexpected" is the lesson for the future that emerges from this record.

### MAJOR TRENDS AFFECTING GOVERNANCE IN THE 21<sup>ST</sup> CENTURY

To a large extent, the 21<sup>st</sup> century has already begun. Many analysts suggest that the world we live in now is much different than it was just a short time ago. The end of the Cold War, the fall of the Berlin Wall, the "wired world," the global emphasis on free markets, or medical advances such as cloning illustrate events that will continue to reshape the context of life and reality into the new millennium. "We are already deep in the new century, a century that is fundamentally different from the one we still assume we live in," observed noted management expert Peter Drucker.<sup>2</sup>

Underway are several important developments that will continue to change our society and that will influence national governance. Among these major forces are globalization, the rise of the information and technological era, and the emerging transformation in the agenda and role of the national government. Many of these "new realities" have been in progress for several years, but they are likely to

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<sup>1</sup> Madelaine Drohen, "Ready or Not, the Euro is Coming," *The Journal of Commerce*, May 1, 1998, p. 7A.

<sup>2</sup> Edward Reingold, "Interview: Facing the 'Totally New and Dynamic'," *U.S. News and World Report*, January 22, 1990, p. 6.

accelerate and to interact in complex ways difficult to predict. Each major development, along with selected ancillary issues, will be discussed in turn.

## I. GLOBALIZATION

Globalization involves a host of interdependent changes affecting American society. The most important changes involve economic, environmental, and military-diplomatic dimensions. Before discussing each of these, it is worth establishing parameters around the meaning of "globalization." After all, there are many structural examples of international interdependence, such as the United Nations, and numerous instances of nations working together on behalf of shared goals or objectives. The point is that globalization is a complex term. It involves scores of relationships, arrangements, and patterns of activity that involve many crosscutting features (military, economic, cultural, communications, and the like.)

Fundamentally, globalization is about the future. It is process by which people and entities expand their horizons and boundaries (territorial, jurisdictional, intellectual, and the like) to rethink and adjust to the challenges, complexities, and anxieties of a new era. Constant change undergirds this new era where, instantaneously and simultaneously, developments in one part of the world can have repercussions in every other part of the globe. Globalization, in brief, "allows people, goods, information, norms, practices, and institutions to move about oblivious to or despite boundaries."<sup>3</sup>

### The Economic Dimension

World marketplaces are integrated as never before. Transnational capital flows, global corporate strategies, and the role of international financial institutions, such as the World Bank, the International Monetary Fund, regional development organizations, or the World Trade Organization, all constitute important features of the global economic network. And with the end of the Cold War, economic power has grown in importance as the basis for national power. Few will dispute that this nation's ever-growing involvement in the world trading system represents a major change of our time.

Increasingly, a growing percentage of the assets and employees of American firms are located overseas. (To be sure, many foreign enterprises also locate in the United States.) Central to the operations of these businesses, even those U.S. firms that don't export a thing, is the global context. American firms are part of the world economy not only because technology (faxes, e-mail, etc.) enables services and ideas to move quickly worldwide, but whatever they produce on American soil might, for instance, be undersold by goods imported from abroad. Frequently, too, it's difficult to know what is an "American" product. Here, for instance, is the shipping label of an American electronics company:

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<sup>3</sup> James N. Rosenau, "The Complexities and Contradictions of Globalization," *Current History*, November 1997, p. 361.

Made in one or more of the following countries: Korea, Hong Kong, Malaysia, Singapore, Taiwan, Mauritius, Thailand, Indonesia, Mexico, Philippines. The exact country of origin is unknown.<sup>4</sup>

The implications of these various changes are many. For instance, there is heightened competition worldwide for markets and profits. Capital, labor, and jobs migrate internationally and corporations often downsize and restructure regularly to remain competitive in the global marketplace. General Motors, as an example, is considering reorganizing the company around one international automotive development team.<sup>5</sup> Microsoft founder Bill Gates is planning to use satellite technology (Teledesic) to provide businesses with worldwide multimedia connections.<sup>6</sup> No matter where on earth someone is located, he/she will be able to surf the Internet, use e-mail, or place videoconferencing telephone calls with their clients or corporate offices. The global spread and possession of technology also enables less developed countries, such as India and China, to challenge directly the economic capacities of more advanced nations.

Two aspects of economic globalization merit further review, because they are likely to shape Capitol Hill discourse over the next few decades. They involve (1) the authority of national governments in a globalizing economy and (2) the future of the American workforce.

**1. Whither National Autonomy?** With the world fast becoming one economic unit because capital, labor, production, wages, and marketplaces are now globalized, it is much more difficult for nation-states to exercise the kind of control over their domestic economies that they once did. There are even global organizations, such as the World Trade Organization (WTO) based in Geneva, Switzerland, that have authority to referee trading disputes between nations.<sup>7</sup> In the offing is a treaty recommendation by the world's richest nations that, if ratified, would enable foreign corporations to bypass the American court system and challenge any U.S. laws regarding foreign investment. The proposed treaty would allow corporations to "sue governments in an international court that has exclusive power to interpret the treaty and can't be overruled."<sup>8</sup> Often, individual nations

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<sup>4</sup> Murray Weidenbaum, "American Isolationism Versus the Global Economy," in John T. Rourke, ed. *Taking Sides*, 8<sup>th</sup> ed., Guilford, Conn.: Dushkin, 1998, p. 150.

<sup>5</sup> Kevin Maney, "Technology is Demolishing Time, Distance," *USA Today*, April 24, 1997, p. 1B.

<sup>6</sup> William J. Cook, "1997: A New Space Odyssey," *U.S. News and World Report*, March 3, 1997, p. 46.

<sup>7</sup> For a discussion of the World Trade Organization, see *The Washington Times*, November 29, 1993, pp. E2-E4.

<sup>8</sup> Lorraine Woellert, "Trade Storm Brews Over Corporate Rights," *The Washington Times*, December 15, 1997, p. A10. Also see Leo Abruzzese, "Foreign Investment Pact Will Miss April Deadline," *The Journal of Commerce*, February 19, 1998, p. 2A.

cannot measure the impact of business mergers on their own national markets. As a result, the need for transnational antitrust rules is under discussion at the WTO.<sup>9</sup>

To be sure, nations exercise authority over numerous activities within their borders, including economic (collecting taxes, for instance). Nations have also demonstrated remarkable resiliency over the centuries, and most are probably quite capable of adjusting to the new forces of globalization without serious erosion of their sovereignty. All countries have their own economic identities, which are shaped by "national values, tastes, institutions, laws, and politics."<sup>10</sup> Yet whether rich or poor, countries confront the reality of globalization, and they will use trade, technology, and global liquidity to bolster their economies, expand market share, and improve living standards. Each day, for example, over a \$1 trillion is traded in foreign exchange markets that never close.<sup>11</sup>

Although globalization opens the possibilities for economic growth, it also raises concerns about the disconnect between the "bottom line" imperative of global corporations and their home countries' national interests. Global corporations operate beyond any nation's political geography. Some analysts even opine that the next generation of companies "won't just be multinationals. They'll be so integrated with the world that they'll be non-nationals."<sup>12</sup> Not anchored in any community or nation, internationalized firms can search anywhere in the world for the lowest labor costs, tax burdens, regulatory requirements, or anything else that enhances their competitive position.

On the one hand, global market considerations often limit governmental control over corporations. U.S. tax rates, for example, are somewhat shaped by international forces. Investment funds are "ready to move at the speed of light and at the cost of a phone call to countries with the most hospitable tax climates."<sup>13</sup> Nations, too, compete against each other to attract corporations to their shores. World market forces, on the other hand, can even destabilize governments. The recent economic slump in Asia is a case in point. As one analyst put it:

[W]orld financial markets have emerged as a form supra-national government for the 21<sup>st</sup> century. They are not elected and they do not convene. But as virtually all nations join the global economy, their finances are subject to the markets' rulings. Their currencies, which must be reasonably stable to promote national growth, are always on trial. So is their access to international borrowing markets to finance exports and infrastructure. When these markets' verdict is negative,

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<sup>9</sup> Brian R. Russell, "Global Antitrust Rules Needed," *The Journal of Commerce*, July 31, 1997, p. 8A.

<sup>10</sup> Robert J. Samuelson, "Madonna and the New Economic Order," *The New York Times Book Review*, March 10, 1991, p. 3.

<sup>11</sup> James Kin, "Are Currency Traders Too Powerful?" *USA Today*, February 17, 1998, p. 1B.

<sup>12</sup> Maney, "Technology is 'Demolishing' Time, Distance," p. 2B.

<sup>13</sup> Richard McKenzie, "Taxes and America's Flight Capital," *Christian Science Monitor*, November 26, 1990, p. 18.



changes in national economic policies are forced and entire governments can be powerless.<sup>14</sup>

In short, a complex web of interactions between domestic and international politics and economics will (1) impact regions of the world, individual countries, and areas within nations differently and (2) likely require governments to function less as the manager of their national economy and more as "an instrument for adjusting the national economy to the exigencies of an expanding world economy."<sup>15</sup>

**2. The New Workplace.** Globalization has wrought major changes in our economy and changed the character of both the workforce and the workplace. The easy mobility of capital, compared to labor, means that business firms often move their enterprises to countries where labor costs are cheaper than in the United States. To be sure, companies that outsource their production sometimes find it difficult to operate effectively in Third World nations despite their wage advantage and move back to the United States.<sup>16</sup>

Concern about the export of U.S. jobs to developing nations and the import of lower wages has spurred debate about both the benefits of international trade for Americans and the rules under which global trading is carried out. As to benefits, listen to one critic of the global economy: "[It] is a disaster for the environment, a disaster socially, a disaster for small farmers, it drives wages down and is a giveaway of sovereign power to corporate bureaucracies."<sup>17</sup>

Others contend that they support free trade but want international rules that require U.S. trading partners (many of whom exploit their workers, employ child labor, and ravage the environment) to observe safety, environmental, and labor standards comparable to those in the U.S.<sup>18</sup> Still others are champions of accords that expand free trade around the world. At the crux of this continuing debate is that international trade is broadly viewed as good for the American economy, but like domestic competition it is not always good for every worker.

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<sup>14</sup> Roger C. Altman, "World Markets' Extraterritorial Power," *Los Angeles Times*, December 11, 1997, p. A2. Also see Wolfgang H. Reinicke, "Global Public Policy," *Foreign Affairs*, November/December 1997, pp. 127-138.

<sup>15</sup> James N. Rosenau, "Security in a Turbulent World," *Current History*, May 1995, p. 197.

<sup>16</sup> Paul Krugman, "Lower Wages Weren't Enough to Keep U.S. Companies Abroad," *USA Today*, January 16, 1997, p. 19A.

<sup>17</sup> John Balzar, "Global Economy: Is Popular Trend a Giant Step Backward for Humankind," *Los Angeles Times*, January 7, 1997, p. A5. The critic was Jerry Mander, a fellow at the Public Media Center in San Francisco and co-editor of a book entitled *The Case Against the Global Economy*. Also see Patrick J. Buchanan, *The Great Betrayal: How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy*. Boston, Little, Brown & Co., 1998.

<sup>18</sup> Paul Blustein, "Free Trade vs. Social Policy," *The Washington Post*, September 19, 1997, p. G1.

The demands of globalization have created a class of workers who are "winners" and those who are "losers." The winners are "knowledge workers," often those with college educations who have the intellect to create "added value" to products and services. They are workers who have the talents, skills, and abilities necessary to respond and adapt to a host of challenges: technological, communication, and idea-creation. Workers with these talents provide nations and companies with the "comparative advantage" to compete successfully in the internationalized marketplace.

As a result, there are accelerating demands for workers "who are equipped not simply with technical know-how, but the ability to create, analyze, and transform information and to interact effectively with others."<sup>19</sup> "Losers," by contrast, are those who do not have these abilities, in part because they have only a high school education or less or because they lack cognitive, conceptual, interpersonal, or related skills regardless of their level of education.

The pressures of globalization and technological innovation have created a workplace that is highly turbulent, complex, interconnected, and subject to a wider array of economic imperatives than ever before. It is a work environment filled with new possibilities and challenges, but characterized by (a) job insecurity, (b) the importance of continuing education, and (c) greater workforce diversity and flexibility.

**(a) Job Insecurity or "Creative Destruction."** Notices of plant shutdowns or corporate layoffs are commonplace today as businesses restructure or merge (a record \$1 trillion in corporate mergers in 1997) their operations to remain competitive globally and to maximize profits.<sup>20</sup> About a "half million [corporate] employees have been let go each year for the last six years," according to one economist.<sup>21</sup> The other side of this equation is that millions of new jobs have also been created by innovative entrepreneurs and risk-takers.

The forces of "creative destruction," as Joseph Schumpeter pointed out decades ago, give the free market the dynamism to change as new jobs and enterprises constantly replace outdated ones (supermarkets for small grocery stores, for instance). Workers who are displaced can find millions of new jobs (most in the service sector--entertainment, health care, insurance, banking, communications, advertising, and the like), although for some it may be with wage or benefit cutbacks and with no prospect of getting their old positions back, if they even exist. For others with the requisite skills, there are many new, well-paying jobs available.<sup>22</sup>

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<sup>19</sup> Alan Greenspan, "Our Nation's Ability to Compete Worldwide," *Vital Speeches of the Day*, December 1, 1997, p. 99.

<sup>20</sup> Leslie Wayne, "Wave of Mergers Is Recasting Face of Business in U.S.," *New York Times*, January 19, 1998, p. A1.

<sup>21</sup> Robert Heilbroner, "Follow the Money," *Los Angeles Times*, June 10, 1997, p. A5.

<sup>22</sup> Del Jones, "Growth in Good-Paying Jobs Better Than Predicted," *USA Today*, February 17, 1998, p. 3B.

The impact of the wider world on the American economy contributes to anxiety among workers and makes the workplace unpredictable. No longer is it likely that most workers will spend their entire career working for a single organization; instead, the shifts in the work environment (downsizing, automated technology, and the like) mean that employees will have to take more responsibility for insuring their economic security and professional advancement. Psychologically, this can be stressful for many job holders who might face layoffs at any time. Many of the laid-off, too, are not just blue-collar employees but white-collar managers whose jobs have been abolished as companies reconfigure their organizational structures.

The paradox is that despite good economic times (low inflation, unemployment, and interest rates, a balanced national budget, and economic growth), there is a greater sense of job insecurity highlighted by the continuous potential for more corporate restructuring and the outsourcing of production to low-wage countries. Aware of their precarious position, embattled workers in different countries are beginning to develop organizational and informational (via the Internet, for example) relationships that may strengthen their bargaining clout in the global economy. In Liverpool, England in early 1997, as an example, locked-out dockworkers "enlisted longshoremen around the world in what *The Journal of Commerce* proclaimed to be the 'first coordinated, global work stoppage'".<sup>23</sup>

**(b) Continuing Education.** Prospects are bright for tomorrow's workers provided they have the training and skills needed to perform in a globally competitive world. The competition workers face is not only with others in their own locale or nation but with workers around the world. With a billion people in Third World nations projected to enter the labor force over the next decade, worldwide job creation and economic development for poor countries are concerns that loom large on the horizon.<sup>24</sup>

Americans have demonstrated their capacity to adjust to different work environments. Witness uprooted farmers of the agricultural era learning to operate factory machines during the industrial era and then, as automation shifted many factory workers into the service sector, people acquired a different set of skills. The economy, as noted earlier, is creating scores of new jobs in different parts of the country, but "many require skills that today's workers still don't have."<sup>25</sup> No wonder education is paramount in a knowledge society, because it is central to a nation's future.

Only through higher skills and knowledge will U.S. workers be able to maintain their "winning edge" in the global marketplace. Knowledge, however, changes quickly and can become outdated fast. Education, therefore, will be a lifelong activity. "People will no longer be able to *complete* an education," wrote the former president of three universities, "because they will have to continue to gain new

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<sup>23</sup> Steve Early, "Slicing the Globaloney," *The Nation*, February 16, 1998, p. 34.

<sup>24</sup> Martin Sieff, "Jobs Needed As World Grows," *The Washington Times*, December 29, 1997, p. A10.

<sup>25</sup> Marc Levinson, "Not Everyone Is Downsizing," *Newsweek*, March 18, 1996, p. 42.

knowledge and new skills to be competitive."<sup>26</sup> Unsurprisingly, many corporations are emulating universities by having their own teaching faculty and facilities with some even granting advanced degrees (Walt Disney, for instance, runs an MBA program).<sup>27</sup>

Many universities now offer a "virtual classroom" education by providing on-line courses to adult learners.<sup>28</sup> An educational alternative likely to receive increased future emphasis is to develop more "user-friendly" economic processes (easy-to-run cash registers, as an example) and to bring them "closer to the existing capabilities of large portions of the work force."<sup>29</sup>

#### *Other Implications*

Several other implications about education in the knowledge society are worth noting. First, public officials and parents will pay greater attention to all levels of education but especially pre-school, primary, secondary, and vocational. This focus is important to insure that all students, including bottom-tier and disadvantaged children, have an equal opportunity to acquire the necessary intellectual and technological skills to be productive citizens. Schooling needs to be a primary value of families and communities so everyone has a good chance of being properly prepared for work.

Second, workers who are laid-off because of market pressures will require retraining and educational assistance as well as health benefits. Absent efforts to improve job opportunities for ill-educated, unskilled, or laid-off workers (who may experience long periods of unemployment), the prospects are that the United States could evolve into a bifurcated or two-tier society as the wage gap widens between the haves and have-nots.

Socially, such a development sets the stage for civic unrest and alienation; politically, it can set in motion powerful currents against perceived "enemies": immigrants, corporations who send jobs overseas, or unfair international trade agreements. Education is a major determiner of whether people view globalization's effect on the American economy positively or negatively. "College graduates overwhelmingly have positive views of globalization, while those with only high-school degrees just as strongly harbor negative attitudes."<sup>30</sup>

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<sup>26</sup> Dale W. Lick, "Ivory Towers and Ivy-Covered Walls Yield to On-Line Learning," *Christian Science Monitor*, April 16, 1996, p. 19.

<sup>27</sup> "Inside the Knowledge Factory," *The Economist*, October 4, 1997, p. 19.

<sup>28</sup> Elaine Woo, "Virtual College," *Los Angeles Times Campus & Career Guide*, July 20, 1997, pp. 2-3.

<sup>29</sup> Michael R. Czinkota, "Bringing Economy To the People," *The Journal of Commerce*, September 12, 1997, p. 8A.

<sup>30</sup> Albert R. Hunt, "Opinions Diverge on Globalization," *Wall Street Journal*, June 27, 1997, p. R6.

Finally, the knowledge that organizations need will change constantly. As a result, leaders of organizations will be more dependent than ever on "workers in the trenches," because executives simply cannot keep on top of the rapid changes occurring simultaneously in so many interdependent subject areas. The old command-and-control model will continue to fall by the wayside to be replaced by more individual self-management, flatter administrative structures, and flexible work systems. As one executive stated, "technology gives workers access to more information to chart their progress and supervise themselves. In many organizations, managers have become redundant."<sup>31</sup> Still, the fundamental responsibilities of leaders remain: establish an organization's goals, identify how they can be accomplished, and motivate people to perform at their highest level so the goals are achieved.

(c) *Workforce Diversity and Flexibility.* Businesses and organizations face new challenges in recruiting and retaining a creative, hard-working, and productive workforce. After all, it is difficult to meet the goals of any organization without an able and effective workforce. The composition of that workforce (diverse) and how it will function (flexibly) appear evident from current trends.

*Diversity in the Workforce.* The future composition of the workforce will change in at least two distinct ways. It will be ethnically more diverse and "grayer." The Bureau of the Census estimates that by 2005 Hispanics will outnumber all other minority groups in the United States and that by 2050 Whites will constitute a slim majority (53%), down from today's 73%.<sup>32</sup> In addition, given the large influx of women into the workforce, it is plain that through ability and numbers, females will totally demolish the so-called "glass ceiling" and enter the top ranks of management with growing frequency. Table 1 highlights ethnic population projections well into the next century. It underscores both the increasing diversity that will characterize the workplace and implies that organizations will need to better insure that they maximize the ideas and talents of their racially, ethnically, and sexually diverse workforce.

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<sup>31</sup> John A. Challenger, "The New Boss in the New Workplace--It's You," *Christian Science Monitor*, July 9, 1997, p. 8.

<sup>32</sup> Steven A. Holmes, "Census Sees a Profound Ethnic Shift in U.S.," *New York Times*, March 14, 1996, p. A16.

Table 1: The Changing Face of America

Ethnic Category	1996	2030	2050
Hispanic	10.7%	18.9%	24.5%
Non-Hispanic whites	73.1%	60.5%	52.8%
Non-Hispanic blacks	12.0%	13.1%	13.6%
American Indians	0.7%	0.8%	0.9%
Asians	3.5%	6.6%	8.2%

\* Joyce Price, "Hispanics Seen As the Largest Minority in 2005," *The Washington Times*, March 27, 1997, p. A6.

Projections are that minorities will constitute about one-third of labor entrants in the next decade, that the "share of African-Americans in the labor force will probably remain constant at 11% over the next 20 years. The Asian and Hispanic shares will grow to 6% and 14%, respectively."<sup>33</sup> These forecasts are subject to revision, of course, given changes in the birth rates of different groups and immigration trends (legal and illegal). The expansion of Hispanics and Asians will probably be concentrated in a limited number of states, such as California, Florida, and Texas.

There will also be a significant "graying" of the workforce. "The American labor force will become somewhat more brown and black in the next 20 years," according to a think tank report entitled *Workforce 2020*, "but its most pervasive new tint will be gray."<sup>34</sup> By 2020, almost 20% of the population will be 65 or over and many may stay on the job because they lack the resources to retire or they still want to work, perhaps on a reduced schedule.

The implications of the aging trend are several. First, elderly will exercise significant economic and political clout in the body politic. Economically, consumer preferences may change and certain occupations (health care, travel, etc.) may expand. Politically, the elderly will be even more sensitive about what happens to their Social Security and Medicare benefits and their retirement plans in general. (See Part III for further discussion of these issues.)

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<sup>33</sup> Peter J. Pitts, "Surviving in the Global Economy," *The Journal of Commerce*, May 2, 1997, p. 7A.

<sup>34</sup> Frank Swoboda, "Study: Many in Graying Work Force May Not Have the Green to Retire," *The Washington Post*, April 18, 1997, p. G3.

Second, businesses may need to rethink whether they want experienced people to retire early and to reconsider whether they want to use age as a major criterion when and if they contemplate reductions in their workforce. Finally, employers may need to look "beyond the traditional recruitment pool of young employees" to consider rehiring experienced and able retirees and to provide them, if necessary, with flexible work arrangements. In fact, many employers will confront a long-term work force shortage. By 2020, according to some accounts, "the number of people 55 and older will have soared by 73%, while the prime working-age group behind them will have grown just 5%".<sup>35</sup>

*Workplace Flexibility.* As it becomes more apparent to more organizations that workers should be perceived as resources and not costs, there will be an accelerated trend away from traditional work routines and toward nontraditional arrangements. Technological advances make possible telecommuting with workers conducting many of their activities at home. Instead of traveling to the office, they can travel the information superhighway to conduct their business. Demographic shifts, too, may encourage organizations to provide more flexible work schedules. Older workers "will want to set their own hours, while younger folks, who seem to care more about where they live than whom they work for, will demand that companies use technology to make their far-flung living arrangements possible."<sup>36</sup> Not everyone who can telecommute will do so, because they enjoy the interactions with colleagues at the office.

Part-time work is also likely to increase in the future and may be the norm as soon as 2020. Today, about 20% of American workers hold a part-time job with involuntary part-time employees "accounting for no more than 3% to 5% of the work force."<sup>37</sup> This trend is driven by factors such as the growth of jobs in the service sector and personal choice. A better integration of work and home life is especially important in an era of dual wage earners and single-parent households.

Technology also enables the establishment of "virtual teams" where individuals from all across the country or world interact to work on projects. A company that wanted to market a new computer formed "a virtual team involving more than 1,000 people in 17 locations." A video link among all the locations remained open constantly so an engineer in South Carolina could talk with his counterpart in San Diego simply by walking into a videoconferencing room and yelling out something like, "Hey, Cathy, I need to talk with you."<sup>38</sup> Interdisciplinary teams are likely to shape the work of more organizations because the torrent of new information means

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<sup>35</sup> Patrice Apodaca, "Who Will Replace Retiring Boomers?" *Los Angeles Times*, June 8, 1998, p. A1.

<sup>36</sup> "There's No Place Like Home, Unless It's the Office," *Newsweek*, July 7, 1997, p. 14. Also see Michael Pollan, "Living at the Office," *New York Times*, March 14, 1997, p. A33.

<sup>37</sup> Michael Moses and Praveen Nayyar, "Heading For Part-Time World," *The Journal of Commerce*, November 24, 1997, p. 7A.

<sup>38</sup> Jessica Lipnack and Jeffrey Stamps, "'Virtual Teams' At Work," *The Journal of Commerce*, July 25, 1997, p. 9A.

that no individual or disciplinary approach can see the "whole picture" when it comes to resolving many problems of the day.

### The Green Dimension

Once perceived as largely a local or regional concern, the environment is now viewed by many as an urgent planetary challenge. Stories about global climate change, acid rain, atmospheric pollution, the depletion of international fishing stocks, deforestation, biodiversity, water shortages, soil depletion, nuclear and toxic waste dumps--as well as related stories about population growth, energy consumption, and sustainable development--are common fare in the press and media. As one scientist said about threats to the environment:

When my grandfather was born, environmental concerns were almost all based on housekeeping and trash in the back yard. By the time I was born there was demonstrable regional impacts. The birth of my children coincided with entire river systems and estuaries being affected. Now...major global systems, upon which society depends for its welfare, are being destroyed.<sup>39</sup>

Some commentators suggest that the global environment "may become the overarching issue for the next 40 years in the way the Cold War defined our worldview during the last 40 years."<sup>40</sup>

Caution is required in assessing the extent to which talk of ecological degradation is real (documented by hard scientific evidence), speculative, or extrapolated from limited or faulty data. Centuries of forecasters of environmental "doom and gloom" from Malthus to today have seen their alarmist predictions proven wrong. Often underestimated by these pundits was the healing power of nature to restore environmental damage; the role of public and governmental intervention in fostering a healthy environment; technological breakthroughs; economic incentives that encourage conservation and heighten recognition that damage to one's own ecosystem is neither economically nor personally healthy; and the power of the human intellect. "Supplies of natural resources are not finite in any serious way," noted one commentator, "they are created by the intellect of man, an always renewable resource. Coal, oil and uranium were not resources at all until mixed well with human intellect."<sup>41</sup>

Still, there are plenty of national and transnational environmental perils and scarcities to take very seriously. Among several examples are the shortage of water in the Middle East; the "ecocide" in many parts of the former Soviet Union; the overexploitation of natural resources; the mismatch between population growth rates in many parts of the world and economic and social advancement; the potential for massive emigration from poor to rich nations triggered in part by the air, water,

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<sup>39</sup> *Congressional Record*, daily ed., March 21, 1989, p. E878.

<sup>40</sup> William Schneider, "Welcome to the Greening of America," *National Journal*, May 27, 1989, p. 1334.

<sup>41</sup> Ben Wattenberg, "Malthus, Watch Out," *Wall Street Journal*, February 11, 1998, p. A22. Wattenberg was highlighting the central point of the late Professor Julian Simon.



and soil pollution surrounding the world's megacities (Cairo, Mexico City, Rio de Janeiro, Delhi, or Jakarta); and the emergence of old, new, and drug-resistant communicable diseases. "For diseases," said a State Department official, "it is truly a one-world village."<sup>42</sup> These problems can spill across territorial boundaries with regional and even worldwide consequences. For instance, according to the projections of one analyst:

In the next 25 years the urban population of the Asia-Pacific region is projected to more than double, to two billion-plus people. The number of private cars in the region is expected to jump nearly 600 percent, to 522 million. Asia, which now produces just a quarter of carbon dioxide emissions worldwide, will account for a third by 2025 and for half by the end of the 21<sup>st</sup> century. The next "yellow peril" the West fears may be off-color clouds of lung-searing, globe-warming, ozone-depleting molecules.<sup>43</sup>

Little surprise that the establishment of an "early warning" global environmental-disease network is an initiative of some importance to many national governments, as well as the United Nations.

Threats to the environment have reopened discussion about whether the concept of "national security" needs to be redefined and broadened to include ecological issues. "Environmental catastrophe and the fight for scarce resources could become as likely to trigger upheaval as the ideological and ethnic divisions that fed conflict in the past," wrote two journalists. "The fires in Indonesia, the death of Uzbekistan's Aral Sea and the recent U.S.-Canadian dispute over salmon stocks are the kind of new threats that are starting to worry security experts."<sup>44</sup> Unsurprisingly, many Federal agencies (Defense, CIA, State, etc.) are now incorporating environmental issues into their discussions of national security, diplomatic, intelligence-gathering, health, agriculture, or economic topics.

International environmental accords, such as the 1997 Kyoto Protocol to control greenhouse gas emissions in order to reduce global warming, are likely to be a more prominent part of efforts to meet these transnational challenges.<sup>45</sup> Worth noting is that American negotiators in Kyoto received assistance from the CIA's environmental center in discovering and analyzing the environmental negotiating positions of other nations. "Our negotiators need to understand what is really driving their counterparts," remarked a CIA official.<sup>46</sup>

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<sup>42</sup> *The Washington Post*, November 28, 1996, p. A19. Also see Barry R. Bloom and Harvey V. Fineberg, "Health Care: War Against Diseases," *The Journal of Commerce*, January 21, 1998, p. 6A.

<sup>43</sup> James Pinkerton, "The New Enviromanticism," *Foreign Affairs*, May/June 1997, pp. 7-8.

<sup>44</sup> Amy Dockser Marcus and Marcus Brauchli, "Greenpolitik: Threats to Environment Provoke A New Security Agenda," *Wall Street Journal*, November 20, 1997, p. A19.

<sup>45</sup> Joby Warwick, "Reassessing Kyoto Agreement, Scientists See Little Environmental Advantage," *The Washington Post*, February 13, 1998, p. A14.

<sup>46</sup> Marcus and Brauchli, p. A19.

Global environmental accords may also heighten tensions between economic and environmental imperatives and between the industrial and developing nations. As a way to reduce these tensions, various officials and groups have suggested a "debt-for-environment" swap: monies owed to the United States by developing nations would be reduced or forgiven if they develop ways to conserve and protect their environmental heritage.<sup>47</sup>

### **The Military-Diplomatic Dimension**

If transformations in the economy and environment have produced some domestic unease, another contributing factor has been the end of the Cold War. It has given rise to a more unpredictable and less clearly structured political world. As the lone superpower, the U.S. will remain heavily engaged in the world and participate in a wide range of military-diplomatic missions either alone or in coalitions with other nations. In short, there are a host of new and overlapping challenges that the diplomatic and military establishment will face in a world grown more interdependent and complex. A review of a half-dozen trends (in no special order) highlights the variable contingencies that confront the nation as it enters the 21<sup>st</sup> century.

**1. Emerging Global Superpower Competitors.** Not until a few decades into the next century is it likely that we will see the emergence of another global superpower. Already there are probable candidates based on a country's economic capacities, military potential, and political interest in exercising world influence. Two countries that fit the bill are Russia and China. With the end of the Soviet Empire, Russia has gone through dramatic political, social, and economic upheavals. A state-run economy has largely been dismantled, free elections have been held, and significant power has flowed down from the Kremlin and out into the provinces.

Yet Russia's current problems are large: many of its citizens have not adjusted well to the new conditions, organized crime is rampant, and fragility characterizes its nascent democratic institutions. Still, Russia has tremendous resources and capabilities. Despite the reality that its military forces are in the throes of major difficulties, Russia possesses a huge nuclear arsenal and exercises considerable global diplomatic influence.

China already is the major regional power in East Asia. With the world's largest population, a growing economy, an authoritarian state, and a strong military, China is poised to project its influence on a global scale sometime in the next century. Democratizing processes, should they take hold, might soften China's assertiveness on the world stage, but even then its interests and the United States' will not be compatible in various economic and strategic arenas.

There are suggestions, too, that the 21<sup>st</sup> century will be the "Age of the Pacific" given that region's potential for growth and advancement. Japan, it bears mentioning, has the economy, technology, and military wherewithal to become a world power, but

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<sup>47</sup> Emily Church, "GOP Consensus Forms on New Debt-for-Environment Swap," *CQ Monitor*, February 4, 1998, p. 4.

it is doubtful that it has any interest in doing so. Similarly, Germany has the resources to be a global power, but the assumption is that Europe and the United States will for the foreseeable future be linked together as Atlantic partners.

Harvard Professor Samuel Huntington wrote a controversial book--*The Clash of Civilizations and the Remaking of World Order* (1993)--in which he sketched a possible global war between China and the United States. Huntington's theory is that future conflicts will be inter-civilizational wars. He argues that there are three timeless flash points: the West and Russia (Christian culture versus the Eastern Orthodox Church), the West and Islam, and the West and China (Western culture versus Confucian culture). His concern is that different cultures are more likely to go to war against one another, and that it is important for the Western nations to revitalize their culture and stand together to constrain the other civilizations, especially the hegemonic power of China. Huntington's thesis has been the subject of critical analysis, in part because it assumes that countries within each "civilization" (or culture) are all united. The reality may be that they are more likely to fight with each other (Iraq versus Iran, for example) than join a monolithic bloc to fight against the other civilizations.<sup>48</sup>

**2. The Military and Warfare.** The history of the military is the history of change. Today, with the demise of the Soviet Union, there are a host of new "threats" facing the nation. "So out to 2010," said General John Shalikashvili, former chairman of the Joint Chiefs of Staff, "our forces in the field face a range of threats, from terrorists, to rogue states with weapons of mass destruction, to potent regional powers, or toward the end of that period, even emerging peer competitors." He added: "It is sad but probably true, that even in the next 15 years, disorder, conflict, and war, especially on the low end of the spectrum, will likely remain a growth industry."<sup>49</sup>

In a volatile world, the Pentagon is likely to assume responsibilities for additional missions unrelated to a direct combat role, such as humanitarian, drug interdiction, or peace-keeping in places such as Bosnia, Iraq, Haiti, or the Sinai. (The Pentagon remains committed to having the resources to fight two regional conflicts simultaneously.) Taking on noncombat missions is somewhat controversial within the military establishment, but there are top military officers who recognize their value "in part because they keep defense funds flowing at a time of post-Cold War downsizing and budget shrinkage."<sup>50</sup> Absent a major conflict, it is not expected that the military's budget will grow very much in the future. As a result, the Pentagon will have the difficult task of balancing its need for readiness with force modernization.

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<sup>48</sup> See, for example, "On 'The Clash of Civilizations'," *Foreign Affairs*, September/October 1993, pp. 2-26 and "If Not Civilizations, What? Samuel C. Huntington Responds to His Critics," *Foreign Affairs*, November/December 1993, pp. 186-194.

<sup>49</sup> John M. Shalikashvili, "The United States Armed Forces: A Prospectus," *Vital Speeches of the Day*, January 1, 1997, p. 167.

<sup>50</sup> Paul Richter, "Pentagon to Expand Noncombat Role," *Christian Science Monitor* April 3, 1997, p. A4.

What looms ahead for the military, then, is a smaller and more mobile but technologically smarter armed forces equipped to handle diverse threats (chemical and biological) at home and from our adversaries abroad. Advances in technology (computer, satellite, and digital) and strategy mean a military force that will fight and operate quite differently from today's army.

The new warfare will be "multi-dimensional", meaning not only that air, sea, and land operations will be increasingly integrated, but also that information and outer space will be part of modern war. "Information warfare" could mean disabling an enemy by wrecking his computing, financial, telecoms or air-traffic control systems. The relevant weapons might be computer viruses, electromagnetic pulses, microwave beams, well-placed bombs or anything that can smash a satellite.<sup>51</sup>

Military campaigns, or "cyberwars," will be waged "to cripple the capacity of an information-based society to carry out its information-dependent enterprises."<sup>52</sup> By 2005, the Pentagon has warned, the nation faces the threat of an "electronic Pearl Harbor."<sup>53</sup> To be sure, the role of the infantry in the 21<sup>st</sup> century will not disappear even with new technological weapons designed to achieve quick and clean combat victories. Infantry will continue to be important for various reasons, including "its ability to hide from and sneak through high-tech barriers."<sup>54</sup>

In short, the military confronts tumultuous times ahead as it adapts to a world filled with a multiplicity of threats--the spread of weapons of mass destruction, ethnic wars, drugs, and the like--and which it must accommodate within a constrained fiscal environment. Future "battles" are likely to involve balancing budget realities with plans for futuristic weapons and strategies--as well as the need to replace old equipment and maintain the readiness of conventional forces. Paradoxically, as the threat of nuclear war and national devastation has declined with the end of the Cold War, "our global presence and global interests make us vulnerable to an array of smaller scale but still pernicious threats."<sup>55</sup>

**3. Terrorism.** Unfortunately, it is very easy and even inexpensive to be deadly threatening today. The ability of rogue nations, international terrorist groups, or domestic extremists to produce lethal chemical or biological weapons that are

<sup>51</sup> "The Future of Warfare," *The Economist*, March 8, 1997, p. 22.

<sup>52</sup> Peter Schweizer, "The Coming Cyberwar--A Call to Arms," *Christian Science Monitor*, April 11, 1997, p. 19.

<sup>53</sup> As the United States deployed additional troops to the Persian Gulf in preparation for a possible military attack against Iraq, the Pentagon reported at least eleven electronic assaults on its computer systems. A Pentagon official said: "The [electronic] attacks call into question the integrity of our systems." See Bradley Graham, "11 U.S. Military Computer Systems Breached by Hackers This Month," *The Washington Post*, February 26, 1998, p. A1.

<sup>54</sup> Michael Duncan Wyly, "Combat in the 21<sup>st</sup> Century," *U.S. News & World Report*, March 16, 1998, p. 82.

<sup>55</sup> *Current and Projected National Security Threats to the United States*, Hearing before the Senate Select Intelligence Committee (S. Hrg. 105-201), February 5, 1997, p. 29.

difficult to find or detect is apparently on the upswing. These weapons of mass destruction are often called "poor man's nukes," because they are not costly to produce and have the potential to kill thousands of unsuspecting people. They can be made in laboratories, garages, homes, or virtually anywhere by people who have access to the easily obtainable chemical or biological agents. The technical information necessary to make these weapons is also readily available from numerous sources, including the Internet.

Although there is a Biological Weapons Convention in effect today which about 140 nations have signed, the Convention has no mechanism for monitoring or enforcing compliance. Further, as many "as 15 countries, including Iraq, Russia, Syria, Iran, Israel, China, North Korea, and Taiwan are known or suspected to be trying to develop the ability to build biological arsenals."<sup>56</sup> A Russian defector warned about that nation's military biological potential, and its research into developing new genetic combinations (Ebola and smallpox) for which no vaccines are available.<sup>57</sup>

There is data that indicate some downward trend in the number of terrorists incidents worldwide, perhaps due to more effective law enforcement measures. However, certain terrorist groups have become more active and their aims have changed from frightening governments and civilians to killing as many innocent persons as possible.<sup>58</sup> Worth noting is that while nerve gas, germs, or other biological and chemical weapons may represent the wave of the future, terrorist bombings still predominate in maiming and killing civilians.

Today, federal, state, and local officials are trying to determine how best to defend our country against terrorist attacks--nuclear, biological, or chemical. There are no simple methods of defense. Especially worrisome are attacks launched by determined and well-organized (and perhaps state-sponsored) international terrorist groups. Other nations without our constitutional traditions of freedom, liberty, and privacy have authorized actions (broad wiretapping authority to police officials, for instance) that many American citizens and groups may find unacceptable. An important issue that will surely arise if a devastating foreign (or domestic) terrorist attack occurs--something far more deadly than the bombing disaster in Oklahoma City in 1995 or at the World Trade Center two years earlier--is how to balance the conflict between maintaining a free and open society while ensuring everyone's safety

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<sup>56</sup> Elizabeth Olson, "Easy to Build, Hard to Detect: How to Track Biological Arms?" *Christian Science Monitor*, February 20, 1998, p. 7.

<sup>57</sup> Tim Weiner, "Soviet Defector Warns of Biological Weapons," *New York Times*, February 25, 1998, p. A1. Also see Henry Miller, "Is Biological War Really A Threat?" *The Washington Times*, February 23, 1998, p. A1 and Joseph Douglass, Jr., "A Biological Threat Worse Than Saddam," *Wall Street Journal*, March 10, 1998, p. A22.

<sup>58</sup> See Peter Grier, "World Leaders Try to Muffle '90s Terrorism," *Christian Science Monitor*, March 13, 1996, p. 1.

and security. As one article phrased the issue: "Can America Stomach a War on Terror?"<sup>59</sup>

**4. The Rise of Non-State Actors.** Today, there is an escalation in the number of non-state actors--private businesses, state governments, and citizen groups called nongovernmental organizations (NGOs)--actively engaged in the international arena. Many of these entities are transnationally linked through modern communications devices, such as faxes, e-mail, and the Internet, and exercise significant influence in many nations around the world. Amnesty International, CARE, and Greenpeace are well-known examples of global activist organizations. Today, NGOs "deliver more official development assistance than the entire U.N. system (excluding the World Bank and International Monetary Fund)" and in many countries "they are delivering the services--in urban and rural community development, education, and health care--that faltering governments can no longer manage."<sup>60</sup>

In short, the power of the state is no longer as monopolistic as it once was given the shift of some of its authority to supra-state entities (the World Trade Organization, for instance, where certain regulatory authority of nations has been transferred to an international body), to sub-state units, and to non-state actors that function as part of an international civil society. Recently, for instance, Jody Williams, who is coordinator of the U.S.-based International Committee to Ban Landmines, won the Nobel Peace Prize for mobilizing international opinion to support a treaty banning landmines despite the opposition of many influential nations. Asked how she managed to win broad world acceptance of a treaty banning the use and production of landmines, Ms. Williams responded with one word: "e-mail."<sup>61</sup>

To be sure, many institutions of government (legislatures, banks, courts, or regulatory agencies) are also "networking with their counterparts abroad, creating a dense web of relations that constitutes a new, transgovernmental order."<sup>62</sup> From central bankers to law enforcement officers to judges, there is increasing collaboration, cooperation, and comity among governmental officials of various nations to resolve problems that each acting alone would be hard-pressed to resolve. For example, the International Organization of Securities Commissioners "has no formal charter or founding treaty." A voluntary association composed of several

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<sup>59</sup> Kyle Pope and Amy Dockser Marcus, "Can America Stomach a War on Terror?" *Wall Street Journal*, August 2, 1996, p. A8. Also see Robert Shogan, "Civil Liberties, Paranoia Among Costs of Anti-Terrorism War," *Los Angeles Times*, June 24, 1997, p. A5 and *Terrorism--Looking Ahead: Issues and Options for Congress*, A Report Prepared for the House Permanent Select Intelligence Committee by the Congressional Research Service, July 1996, 104<sup>th</sup> Congress, 2d Session.

<sup>60</sup> Jessica T. Mathews, "Power Shift," *Foreign Affairs*, January/February 1997, p. 53.

<sup>61</sup> Michael Holtzman, "With Help from Technology, 'Ordinary' People Change World," *Christian Science Monitor*, November 26, 1997, p. 19.

<sup>62</sup> Anne-Marie Slaughter, "The Real New World Order," *Foreign Affairs*, September/October 1997, p. 184.

nations' securities commissioners, its "primary purpose is to solve problems affecting international securities markets by creating a consensus for enactment of national legislation."<sup>63</sup>

In short, the traditional government-to-government diplomacy has evolved to include many more participants. Private businesses have seen their role in foreign policy expand indirectly as many developing nations look more to private investments than government loans "to help them finance more sophisticated production facilities and faster growth."<sup>64</sup>

Many cities and states have also gotten involved in foreign policy. As one analyst observed about California:

California is so big, and its problems so immense that it needs its own foreign policy. In an era when economics commands foreign relations, this does not mean embassies and armies, but it does mean more trade offices and state agents in foreign countries, its relations with foreign nations and a governor and legislature willing to represent the state's interests independently of Washington.<sup>65</sup>

The devolution and fragmentation of foreign policy authority from the "top down" to numerous public and private organizations and groups is a reality sure to continue -- if not accelerate -- into the 21<sup>st</sup> century. With this trend will come questions of coordination, collaboration, or integration to insure that this plethora of international activity serves beneficial purposes and goals.

**5. International Crime.** Global forces such as technological breakthroughs and the worldwide movement of people and goods can be used for both good and bad purposes. Unfortunately, recent years have witnessed an escalation in international criminal activity as criminals, drug traffickers, and terrorists increasingly threaten even the capacity of governments and law enforcement agencies to control their nefarious activities, which includes bribery, murder, prostitution, extortion, kidnaping, economic espionage, smuggling, fraud, theft (automobiles, endangered animals, historic artifacts, art, credit cards, copyrighted property such as electronics or designer clothes, etc.), money laundering, pornography, and even the creation of international black markets in weapons and human organs.

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<sup>63</sup> Anne-Marie Slaughter, "The Real New World Order," *Foreign Affairs*, September/October 1997, p. 191.

<sup>64</sup> Art Pine, "Private 'Foreign Aid' Offers Challenge to United States," *Los Angeles Times*, September 9, 1997, p. A7. Also see "Business and Foreign Policy," *Foreign Affairs*, May/June 1997, pp. 67-79.

<sup>65</sup> James O. Goldsborough, "California's Foreign Policy," *Foreign Affairs*, Spring 1993, p. 89. Because Massachusetts and other local governments have acted to ban state purchases from companies that do business with Myanmar (formerly Burma) and other authoritarian nations, federal suits have been filed against this practice on the ground that the conduct of foreign policy is a federal responsibility. See Michael Lelyveld, "Clinton Faces Constitutional Battle Over Myanmar Sanctions," *The Journal of Commerce*, March 6, 1998, p. 1A.

The rise of internationalized criminal networks and transactions is mushrooming with Russian, Italian, Nigerian, and ethnic Chinese syndicates expanding worldwide. Colombian drug cartels employ sophisticated technology (the Global Positioning System, for example) to ship cocaine and heroin into the United States.<sup>66</sup> The UN Commission on Crime Prevention and Criminal Justice predicted a "massive growth in organized computer criminality."<sup>67</sup> It will not be just computer "hackers" trying to penetrate the electronic networks of banks, companies, or other institutions but sophisticated criminals who will employ technology both to steal and to launder money. The rapid rise of global organized crime presents a transnational challenge that threatens the stability, safety, and integrity of virtually all societies. Worldwide, governmental leaders and law-enforcement agencies are beginning to recognize "global crime as part of a sophisticated, coordinated effort that requires equally coordinated, international attention."<sup>68</sup>

**6. Coping With Chaos and Turbulence.** For much of the 20<sup>th</sup> century, the policy of "containment"--inhibiting the global expansion of communism--provided the organizing principle which guided our military and diplomatic strategies. Political and governmental leaders here and abroad often deferred to the president during the Cold War to demonstrate unity and purpose. The end of the Cold War has witnessed greater assertiveness on the part of Congress and triggered more open disagreements with many of our allies.

Today, the world is in a period of transition and tumult as many nations and organizations struggle to cope with a host of problems. Diplomat and scholar George Kennan, the author of the aforementioned containment policy, suggests that the United States now has two great global interests: addressing the world environmental crisis (overpopulation, urbanization, and the exhaustion of the world's resources) and bringing nuclear weaponry and the weapons of mass destruction under control. In addition, he emphasizes the need to put "our own country on a sound basis."<sup>69</sup> A society's strength, in brief, involves more than its military-diplomatic capabilities. It rests fundamentally on the integrity, purpose, and performance of a host of activities: economic, educational, or cultural to name a few.

Absent a broad framework, such as "containment," to inform our strategic outlook, the United States faces a new world filled with a broad range of challenges and crises that are generally handled on a case-by-case basis. A few examples

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<sup>66</sup> Douglas Farah and Serge Kovaleski, "Cartels Make Puerto Rico a Major Gateway to the U.S.," *The Washington Post*, February 16, 1998, p. A1.

<sup>67</sup> Robin Wright and Ronald Ostrow, "Crime Without Borders," *Los Angeles Times*, April 27, 1993, p. C7. Also see Jack Nelson, "Money Laundering Is Global in Scope," *Los Angeles Times*, February 3, 1998, p. A7.

<sup>68</sup> Francine Kiefer, "Waging War on Global Crime," *Christian Science Monitor*, May 15, 1998, p. 3. The G-8 economic summit held in mid-May 1998 in England had global crime on its agenda. The Clinton Administration even established a plan, the "International Crime Control Strategy," to combat the threat of world crime. See Douglas Farah, "Clinton Plan Targets World Crime Threat," *The Washington Post*, May 11, 1998, p. A18.

<sup>69</sup> "Conversation: A Diplomat at Century's End," *U.S. News & World Report*, March 11, 1996, p. 41.



spotlight the broad nature of the concerns that Congress will continue to address well into the next century.

*The Conflict Between Integration and Fragmentation.* As the world community is drawn closer together through transnational associations and through the forces of globalization, there has also been a surge of nationalism and separatism in many parts of the globe. Many new nations have been created following the breakup of the former Soviet Union. Since 1946, the number of new nations has grown from 74 to today's 193.<sup>70</sup> There have been suggestions that as many as 500 countries might be in the offing sometime in the next century as countries change their borders or break apart.<sup>71</sup> Many of the newer nations are also fragile democracies struggling to foster political and economic freedoms; others have become "illiberal democracies": "plenty of elections, but few individual rights."<sup>72</sup>

*The Pressures of Population and Urbanization.* Megacities, as mentioned earlier, are sprouting all over the world but especially in many of the poorest nations. The demographic trend precipitating this reality is continuing urbanization. Not only will these cities find it difficult to provide basic services (water, energy, transportation, sewerage, and the like), but their inability to do so can lead to local unrest and disorder, trigger mass migration to other parts of the world, or exacerbate environmental and health perils. Economic growth may not keep pace with population growth in developing nations, which can lead to regional competition for resources.

*Human Rights Abroad.* The United States has long debated the degree to which this country should promote freedom and human rights around the world. The clash is often between those who stress that American foreign policy should reflect values such as advancing individual freedom and those who advocate the importance of power and self-interest in our relations with other countries. These same issues will reappear in the next century, too. How do you decide what is moral in diplomacy? How do human rights fit with your other foreign-policy aims?<sup>73</sup> Or as one analyst concluded, the challenge is "to construct a model for the 21<sup>st</sup> century built on the pillars of strong economy, social justice, and environmental sustainability."<sup>74</sup>

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<sup>70</sup> "Little Countries," *The Economist*, January 3, 1998, p. 65.

<sup>71</sup> Bob Davis, "Global Paradox: Growth of Trade Binds Nations, but It Also Can Spur Separatism," *Wall Street Journal*, June 20, 1994, p. A10.

<sup>72</sup> Fareed Zakaria, "Doubts About Democracy," *Newsweek*, Dec. 29, 1997/Jan. 5, 1998, p. 57.

<sup>73</sup> "Human Rights and Diplomacy," *The Economist*, April 12, 1997, p. 19.

<sup>74</sup> Larry Elliott, "There Is A Third Way," *The Journal of Commerce*, February 4, 1998, p. 7A.

## II. THE INFORMATION AND TECHNOLOGICAL ERA

Humankind is said to have gone through three stages and is about to enter a new, fourth age of fundamental society-wide change. The first three stages can be summarized as follows: the age of hunting and gathering was followed by the age of agriculture (where people planted crops instead of hunting animals and collecting berries); then came the industrial age where factories mass produced goods for mass consumption.

Now, we are just beginning to enter what commentators variably call the "Information Age," the "Knowledge Society," the "Electronic Revolution," the "Digital Age," or the "Networked Nation." To be sure, we are still in transition to this new era. Until PCS and other electronic devices become as easy to use as telephones, many people will not travel on the information highway.

Many features characterize the information age. It is a world where knowledge and ideas represent power, where global communications networks encompass the entire planet, where the telephone, television, and computer--and their respective elements of voice, video, and data--appear to be converging in unpredictable ways, and where rapid technological change is commonplace. Consider how communications media have expanded from "one to one" (the telephone) to "one to many" (radio, television, or newspapers) to "many to many" (messages sent over the Internet into cyberspace).

The introduction of new information technologies is almost mind-boggling and certainly difficult to keep up with. For example, an M.I.T. scientist is designing computers to respond to a person's moods. They would be programmed "to monitor, interpret and react to their user's biological responses," like scowls that come from frustration with what appears on the screen.<sup>75</sup> There is a plethora of commentary about how computer technology has changed the financial marketplace, eroded the ability of nations to control the flow of information across their borders, altered business production (robotics, for example), revamped the workplace and the workforce, and influenced scores of other activities or functions (education, health, transportation, law, politics, etc.). Many of the new technologies have the potential to further transform our economic, social, and political landscape.

There are many issues and topics associated with the information age that are beyond the capacity of this paper to address. Therefore, to focus our discussion, the analysis will look at the potential impact of some of these technological-informational changes on Congress's agenda, its lawmaking processes, and on the broader environment of which it is a part.

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<sup>75</sup> "Computer With A Heart Is Goal, Designer Says," *The Washington Times*, February 17, 1998, p. A3.

### An Emerging Legislative Agenda

Today, it is increasingly common for people to exchange e-mail addresses just as they do their telephone numbers. Similarly, the advance of new technologies has produced a host of new agenda items for Congress. History demonstrates that laws quickly follow new technologies (railroads, radio, automobiles, or the airplane, for instance). Thus, important questions for Congress are how and to what extent should lawmaking keep pace with the cyberspace revolution and the nation's ever-expanding electronic infrastructure. Among examples of information and technological issues that seem certain to occupy the attention of the legislative branch into the next century are these:

*Copyright.* The Internet can make anyone a "publisher." It gives individuals the capacity to broadcast messages and materials worldwide. Concomitantly, it is easy to pirate almost any publication (books, articles, software, video games, music, or movies) and transmit it over the Internet. The extent to which copyright protections should extend to electronic communications remains an open issue as well as who is liable when copyrighted material is illegally sent into cyberspace.

*Censorship.* Pornography and sexually explicit forums are widely available on the Internet. Given that First Amendment free-speech protections apply to the Internet, an issue that concerns many is how to protect children from computer pornography and from online sexual predators. Racist and anti-government hate groups also employ the Internet to preach violence and hatred. "Technology has made us a much more mobile society and a smaller planet," said an analyst of hate groups. "These groups are branching out everywhere."<sup>76</sup> Cyberspace gambling is another issue of expression that may require regulation. In short, there will be continuing national debate about free speech over the Internet.

*Privacy.* There are at least two major privacy issues associated with electronic technology.<sup>77</sup> First, despite laws against eavesdropping or intercepting electronic communications, the technology makes it relatively easy to intercept messages. Second, personal information (Social Security numbers, driving and criminal records, home addresses, listed and unlisted telephone numbers, etc.) about people is widely available in numerous databases accessible on the Net. Encryption technology--mathematically scrambling information to be incomprehensible until someone with the proper key converts the material back to its original and readable form--is something that individuals, businesses, and other entities look to as a way to deal with this growing problem.

On the other hand, law enforcement officers and other public officials worry that the same technology that can protect the legitimate privacy rights of individuals or companies can be used by criminals or terrorists or copyright violators to conceal

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<sup>76</sup> Richard Serrano, "Internet Promotes Surge in Hate Groups, Study Finds," *Los Angeles Times*, March 4, 1998, p. A5.

<sup>77</sup> See the three-part series in *The Washington Post* entitled "Eye at the Keyhole: Privacy in the Digital Age," March 8, 9, and 10, 1998, p. A1.

their illegal activities. Law enforcement agencies want the code-breaking keys to encryption software so they can tap into criminal and terrorist files. An important issue that governments confront is "whether to put the demands of crime-fighting before those of protecting the privacy of businesses and individuals."<sup>78</sup> A related matter concerns the export of encryption software; U.S. companies worry that trade controls placed on the sale of encryption technology abroad places them at a disadvantage with foreign firms that freely export these products.

*Security.* Electronic burglars, as previously mentioned, are a growing problem for institutions and businesses of all kinds. Internal computer networks may have "firewalls" to protect against outside intruders, but sophisticated "crackers" raise anew the issue of computer security. Accidental computer glitches can even send thousands of secret passwords around the globe.<sup>79</sup>

Two other security issues also merit mention. First, there is matter of protection against new and more virulent computer "viruses": software programs that can "destroy files or render computers inoperative."<sup>80</sup> Second, the interlocking nature of so many computer systems means that if one goes than the rest may fail, too. Protective or backup devices may be unable to accommodate the "crash." As one account reported about a massive Western states power failure: "Even more disturbing was the failure of more than one 'crash-proof [technological] system designed to provide public services."<sup>81</sup> Or as one research analyst said: "The more we depend on [Internet] technology for our existence, the more disasters will occur."<sup>82</sup>

*Electronic Commerce.* Increasingly, the Internet is being used as a forum for trading in goods and services. An issue that looms large is the extent to which state and local governments should collect sales taxes on Internet transactions and the extent to which online commercial activity should be regulated by the federal government. More generally, it is unclear when, whether, and to what extent electronic commerce, both domestically and internationally, will emerge as a new

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<sup>78</sup> "Privacy on the Internet," *The Economist*, March 7, 1998, p. 18.

<sup>79</sup> Jared Sandberg, "Accidental Hacker Exposes Internet's Fragility," *Wall Street Journal*, July 10, 1997, p. B1. There is a government-funded Computer Emergency Response Team (CERT) at Carnegie Mellon University in Pittsburgh. This group "responds to major disruptions of the Internet with advice and electronic 'patches' for holes created by hackers." See Paul Van Slambrouck, "Cyber-Threats: How Serious?" *Christian Science Monitor*, March 9, 1998, p. 4.

<sup>80</sup> Laurent Belsle, "Computer Virus Update: Newer Strains Defy Experts," *Christian Science Monitor*, March 3, 1995, p. 3.

<sup>81</sup> Hector Tobar and Miles Corwin, "Blackout Shows Extent of Technology in Daily Life," *Los Angeles Times*, August 13, 1996, p. B4.

<sup>82</sup> Graeme Browning, "A Pileup on the Information Highway," *National Journal*, July 26, 1997, p. 1513. See Chuck McCutcheon, "Computer-Reliant U.S. Society Faces Growing Risk of 'Information War'," *Congressional Quarterly Weekly Report*, March 14, 1998, pp. 675-678.

sector of the American economy.<sup>83</sup> Increasingly, businesses are advertising on the Internet or using electronic authentication to verify the identity of both messengers and messages in their transactions. If "e-businesses" are the wave of the future than "the competition is no longer the 'other guy' across town or in another county or state. It's any number of companies anywhere in the world."<sup>84</sup>

*Beyond the Internet.* With demand for access to the Internet escalating worldwide, the information highway may increasingly witness electronic "gridlock." Little surprise that the National Science Foundation is working on Internet II to accommodate new technologies and to facilitate speedier consumer access to cyberspace. The next Internet is sure to be faster, more versatile, and more accessible than today's network.

Cable television and telephone companies are also racing to develop devices "that will connect users to the Internet at 300 to 400 times faster than today's fleetest modems" and that will "carry full-motion, full screen video and, eventually, telephone conversations where all the parties can reach each other."<sup>85</sup> These various technological changes, including wireless communications systems, spotlight anew the issue of government's role in shaping the "digital frontier."

### The Cyber-Congress

Technological changes sometimes meet with resistance on Capitol Hill where tradition and custom exert large influence. The Senate, for instance, spent a month in 1930 in controversy over the replacement of telephone operators with dial-operated telephones. For example, on May 22, 1930, a Senator called up his resolution to have "these abominable dial telephones taken out of use on the Senate side." More recently, in 1997, the Senate decided not to allow members to bring laptop computers into the chamber, in part because they might adversely impact decorum on the floor.

History also demonstrates that a representative institution like Congress will inevitably be influenced by external developments, including technological. In short, the "Information Age" is alive and well on Capitol Hill. Except in the chamber itself, where only limited or specific uses of electronic devices are permitted, computer and online technologies fill almost every nook and cranny in the House and Senate. The "cyber-Congress" is a manifestation of this contemporary reality.

For example, Member and committee offices are "wired" to various electronic networks; numerous electronic data bases provide Members, staff aides, and citizens with a wide range of legislative information; legislative support units, such as CRS

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<sup>83</sup> See David Shaw, "Internet Gold Rush Hasn't Panned Out Yet for Most," *Los Angeles Times*, June 20, 1997, p. A1.

<sup>84</sup> Mark Shearer, "Internet: The Worldwide Bazaar," *The Journal of Commerce*, March 10, 1998, p. 9A.

<sup>85</sup> Laurent Belsle, "Promise From Cable Guys: Internet 300 Times Faster," *Christian Science Monitor*, June 28, 1996, p. 8.

and GPO, provide electronic access to various reports; hundreds of lawmakers maintain their own Web sites; and legislative e-mail addresses are proliferating on Capitol Hill. There is even a bicameral, bipartisan Internet Caucus which has as its fundamental goal to move Congress more quickly into the Information Age.

That Congress will continue to expand and to upgrade its technological capacities seems not to be in question. Congress has long demonstrated its capacities for absorbing and managing technological change while accommodating its institutional procedures, traditions, and processes. Less evident is the impact of technology on the future work and operations of the legislative branch.

To better comprehend the likely effects of "Information Age" developments on the House and Senate, some emerging trends can be extrapolated to the 21<sup>st</sup> century congressional setting, especially as they apply (1) to individual lawmakers and (2) to Congress as an institution.

**1. The "Electronic" Lawmaker.** A fundamental responsibility of lawmakers is to represent the views and interests of their constituents. Few doubt that current and future applications of information technology contribute significantly to members' (and their staffs') ability to address the increasing volume of constituent mail, casework, and sundry other public inquiries. Legislators, for instance, have the ability to easily engage in two-way communication and dialogue ("cyber-chats") with individuals and groups in their home district, their state, or elsewhere. Through video conferences lawmakers in Washington can "attend" many events back home. Constituents can communicate around-the-clock via e-mail with many lawmakers. One result: technological advances have quickened the pace of life on Capitol Hill.

A recent survey of congressional offices (200 House, 70 Senate) by The American University found that members and their staffs are frequent travelers in cyberspace. Many House and Senate offices have their own Web sites with most having links to outside sites. For example, 97 percent of legislative staff use the Internet daily to acquire issue information with almost 90 percent of congressional offices using e-mail.<sup>86</sup> Paradoxically, despite constituents using e-mail to communicate with their members, the study found that 71 percent of congressional offices do not respond electronically to e-mails. They reply with regular or "snail" mail.

However lawmakers respond to their constituents, it is not unreasonable to suggest that the Internet has the capacity to broaden their district or state-specific focus. As a global communications network, the Internet may transform the concept of representation. The traditional perspective of lawmakers is that "all politics is local." Gradually, this attitude is being expanded to include another dimension: "all politics is global." As one scholar suggested:

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<sup>86</sup> *Congressional Use of the Internet: A Summary Analysis of A Bonner & Associates/American University Survey of Congressional Offices*, Center for Congressional and Presidential Studies, The American University, 1997, p. 13.

As the Internet grows, Congress's reliance on the Internet will grow. As Congress's reliance upon the Internet grows, Congress's relationship with the American people will change—it will become more national, more policy-oriented, based more upon access to information, and based more upon interdependencies with others.<sup>87</sup>

Phrased differently, no member can politically afford to remain isolated from global developments because no district or state is insulated from their effects.

Three interconnected trends that merit further mention with respect to technology's influence on members' representational and electoral roles are changes in campaigning, lobbying, and policymaking. Worth remembering is that technology has the capacity to influence—directly and indirectly—the internal distribution of individual and party power in Congress. Republicans control the House today in part because they recognized the value of using C-SPAN coverage of House floor proceedings to chastise Democrats and to promote their ideas and agenda to the viewing public.

**Campaigning.** Money is important in any congressional campaign. Even when lawmakers run unopposed, they need funds to staff their political organization and to maintain a high public profile with their constituents. Increasingly, candidates will raise campaign funds over the Internet. Computer consultants and various groups are developing databases and software packages that allow candidates to electronically deliver campaign messages, ads, press releases, and speeches to targeted groups of voters. In turn, voters can acquire information about an incumbent's voting record, financial contributors, or policy positions.

In time, citizens may be able to vote by computer at home. Already they can participate in electronic "town hall" meetings with candidates and join with others in or outside their geographical area to form electronic "populist" movements. "The future of the Internet in campaigns is limitless," remarked one political consultant.<sup>88</sup> A scholar added this point:

The most basic feature of this [electronic] technology is that it will allow individuals more easily to find others who share their interests or views and communicate with them, which in turn will lead to the development of new forms of "community," new political groups, and, undoubtedly, new political organizations. [I]n the future the political system may no longer be dominated by the Democratic and Republican parties. Instead, a variety of political communities and party interests could emerge, many of which would transcend geographic or political boundaries.<sup>89</sup>

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<sup>87</sup> John Messmer, "Congress and the World Wide Web," *The Dirksen Congressional Center Report*, Spring 1998, p. 11.

<sup>88</sup> Erin McCormick, "Candidates Stump Along the Internet," *The Washington Times*, September 20, 1994, p. A6.

<sup>89</sup> Anthony Corrado and Charles Firestone, eds., *Elections in Cyberspace: Toward a New Era in American Politics*, Washington, D.C.: The Aspen Institute, 1996, p. 12.

New forms of technology may trigger the need for additional statutory and regulatory decisions to govern campaign activity in cyberspace. (In fact, a whole new field of jurisprudence -- "cyberlaw"-- is emerging to regulate the electronic frontier.<sup>90</sup>) Another important development may also require legal action: the globalization of American politics. Many foreign interests have a huge stake in this nation's policy process, and they are not reluctant to funnel money into congressional and other campaigns, often through their American-based proxies. Paradoxically, as many Americans seem less interested in world affairs, more and more foreign governments and interests follow U.S. political events actively and closely.<sup>91</sup>

**Lobbying.** Electronic lobbying is sure to become more advanced and sophisticated in the years ahead and to be used by many more special interests. Electronic advocacy is fast becoming a new form of grass-roots activism. Sophisticated technology can be employed quickly by lobbyists to marshal local supporters to rain letters, faxes, e-mails, and phone calls on member offices. Radio and televising advertising blitzes, petition drives, door-to-door campaigns, or rallies can be quickly organized in the states or districts of targeted lawmakers. As a House member once said: "Through their computers these groups get to more of my voters, more often, and with more information than any elected official can do. I'm competing to represent my district against the lobbyists and the special interests."<sup>92</sup> Technology, in brief, cuts the "costs" of organizing and makes it easier for interests to deliver their messages to Capitol Hill quickly and cheaply.

Many lobbyists in Washington, D.C. are also investing in a new Web site called "In Congress" ([www.incongress.com](http://www.incongress.com)). The purpose of the new site is to bring together in one place the policy positions of the various pressure groups that have an interest in specific legislation. The originators of the Web site surveyed congressional aides and found that they want "a quick way to tell the boss where all the players stand on legislation."<sup>93</sup>

The "globalization" of American lobbying is even underway. Think of individuals and groups located anywhere in or outside the United States banding together via e-mails, faxes, or other Information Age devices to lobby Congress (or other national legislatures) on the issues that concern them. For example, worried that international restrictions and regulations might affect the ability of Americans to

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<sup>90</sup> Amy Harrison, "The Law Where There Is No Land," *New York Times*, March 16, 1998, p. D1. Also see Jeff Bleich and Kelly Klaus, "Hurling Into Cyberspace," *The Federal Lawyer*, May 1998, pp. 38-41.

<sup>91</sup> James Risen, "What's Behind Surge in Foreign Campaign Cash?" *Los Angeles Times*, May 18, 1997, p. D4. Also see Judy Keen, "Espionage Enters Finance Fray," *USA Today*, March 10, 1997, p. 7A.

<sup>92</sup> *New York Times*, January 24, 1980, p. A16. Politicking on the Web is also a worldwide trend as "candidates sought voters on the Internet in Taiwan, Poland, France, Italy, and Germany, to name a few." See Torsten Busse, "Global Politicking Hits Web," *ComputerWorld*, August 12, 1996, p. 12. See, too, Tiffany Danitz, "Grass-Roots Politics Goes High-Tech," *Insight*, January 5, 1998, pp. 15-16.

<sup>93</sup> Bill McAllister, "Web Venture Links Lobbies, Legislation," *The Washington Post*, January 27, 1998, p. A15.



acquire firearms, the National Rifle Association formed a transnational organization (the World Forum) of gun groups and firearm manufacturers to fend off international pressure for further gun controls in the United States.<sup>94</sup>

**Policymaking and "People Power."** Given relatively easy access to information, the rise of a better-educated and computer-literate electorate, and various technological developments, there is growing public discussion about some form of electronic "direct democracy." On Capitol Hill, lawmakers have suggested conducting advisory (or binding) national referenda on the major issues of the day. A pollster noted that the problem with direct democracy used to be logistical, not philosophical. "But with the information technology we have now, there's no reason why the whole people cannot 'meet' electronically and decide public issues."<sup>95</sup> Futurist John Naisbitt suggests that "we have outlived the historical usefulness of representative government democracy, and we all sense intuitively that it is obsolete."<sup>96</sup> Advocates of more direct citizen involvement in policymaking argue in part that it promotes member responsiveness to the electorate, fosters democratic discourse, and gives ordinary citizens more voice in shaping the policies and laws under which they live.

To be sure, there are many who strongly oppose actions that threaten to short-circuit representative government. They worry that (1) people will not have sufficient information to make informed decisions, (2) special interests will manipulate any "electronic" town hall meeting, (3) the "have nots" and technologically-challenged will be left out of any online dialogue, (4) complex questions are simply not susceptible to a "yes" or "no" decision via some form of cybervoting, and (5) "majority tyranny" might jeopardize the rights of various minorities. Representative government means lawmakers who come together in face-to-face deliberation and discussion to achieve consensus on issues, often by making compromises. "Cyberocracy" undermines these basic features of the legislative process.

Whether some form of direct democracy is the wave of the future remains to be seen. What seems clear, however, is the likelihood of ever-increasing direct communication between the governed and the governors. Thus, the probabilities are high for greater citizen participation (perhaps even via national plebiscites, for instance) in decisionmaking. This is a "republican form of government," but it is likely to more directly reflect and involve "government of, by, and for the people." The result is likely to be heightened concern about how to accommodate "participatory democracy" with representative government.

**2. Congress and Information Technology.** An important responsibility of Congress is to determine how, whether, or what technology should be applied to facilitate the basic purposes of the legislative process. Just because a new technology

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<sup>94</sup> Katharine Seelye, "National Rifle Association Is Turning To World Stage to Fight Gun Control," *New York Times*, April 2, 1997, p. A12.

<sup>95</sup> Quoted in David S. Broder, "Democracy by Poll," *The Washington Post*, April 25, 1994, p. A17.

<sup>96</sup> Quoted in James Perry, "Call It New Media, Teledemocracy or Whatever; It's Changing the Way the Political System Works," *Wall Street Journal*, June 24, 1992, p. A22.

emerges does not mean that it must be applied to Congress unless the computer innovation buttresses rather than undermines congressional governance.

The reality and potential of information technology can be seen in how the House and Senate perform several of their most basic functions: lawmaking, oversight, deliberation, and public education. Electronic innovations have the capacity to reshape many features of the legislative landscape. One prospective procedural outcome already seems clear: an evaluation of whether and to what extent the rules and practices of the House and Senate will need to reflect technological change. As a simple example, will lawmakers who electronically participate in committee proceedings from their home states or districts be counted for purposes of establishing a quorum of a committee meeting on Capitol Hill?

**Lawmaking.** Electronic technology affects today's lawmaking in numerous ways. It assists, for example, members and staff in tracking and monitoring legislative developments; acquiring data and analysis useful in policy formulation and evaluation; forging coalitions through vote projections; and, generally, creating a greater potential for producing quality policies.

Prospectively, Congress will focus greater attention on at least three information era issues. First, pressures for greater transparency (openness) in all lawmaking stages is likely to mount. Citizens and groups seem sure to seek more accessibility to several stages of policymaking that heretofore have received comparatively little public attention: for instance, committee and subcommittee markups, conference committee deliberations, and even party caucus sessions.

Accordingly, Congress will need to address at least these two questions: To what extent should it further open its policy and party proceedings to the public? To what extent should its records, data bases, internal reports (including all CRS general distribution products), documents, draft markup materials, etc. -- including Web sites accessible only to lawmakers and staff -- be posted on the Internet? Needless to say, Congress will consider how technology can be applied in innovative ways not only in the legislative process but in the *content* of its laws, such as using electronic systems to streamline paying taxes, applying for loans, or obtaining governmental benefits.

Second, as Congress's reliance on technology increases, concern about the security of its legislative information network also becomes more important. As members, committees, and party leaders increasingly communicate with each other over the electronic highway, an important issue is how to prevent computer break-ins and sophisticated hackers from "reading legislative mail and messages" and employing it for their own special purposes.

Finally, Congress, by design, is generally a slow-moving institution. Proposed laws must make it through two unique legislative chambers. Lawmakers like to talk and to offer amendments. The process of compromise is often messy and lengthy. Given rapid technological change and a national culture that values speed, efficiency, and "real-time" answers to problems, there may be more public discussion about whether Congress's policymaking processes are out-of-sync with the accelerated pace of change expected in the next century. For instance, the unique role of the Senate as

essentially a "minority rule" institution might come under critical scrutiny for both its slow decisionmaking processes and its malapportionment (two Senators per state regardless of population.) As Senator Daniel Moynihan, N.Y., predicted: "Sometime in the next century the United States is going to have to address the question of apportionment in the Senate."<sup>97</sup>

**Oversight.** A fundamental responsibility of Congress is to review executive branch performance and the implementation of our laws. More can certainly be done to employ computerized technology to monitor and evaluate the executive establishment. For instance, it seems reasonable to assume that computer-based technologies are now available or will be soon be available that can assist committees and subcommittees in monitoring the cost-effectiveness of the programs and agencies under their jurisdiction. Take the example of the thousands of casework requests that flow into House and Senate offices every day. Technology can be harnessed to aggregate these inquiries into appropriate categories to determine if an overwhelming number of citizens are having similar problems with the same agency. Today, this information remains scattered and uncollated in hundreds of individual offices.

**Deliberation.** Debate and deliberation are central to legislative bodies. They contribute both to well-informed lawmakers and to informed public policymaking. Although the House and Senate are both "wired" institutions, both prohibit the personal use of electronic devices, such as laptop computers, in the chamber.

The arguments against such devices on the floor are several. Among the most significant are these: they would undermine the purposes of debate (which implies listening to the discussion), because lawmakers would be absorbed in their "electronic office" on the floor; the chamber ought to remain a "sanctuary" largely free from electronic technology, especially since computers, faxes, etc. are located just off-the-floor; and lobbying and constituency pressures would escalate and intrude in the chamber as members both receive and transmit e-mail and other messages during floor consideration of legislation. Reasoned debate and the exchange of views--hallmarks of deliberative rather than direct democracy--could be eroded by the introduction into the chamber of "electronic plebiscites."

In addition, if lawmakers were permitted to use electronic devices on the floor, there is concern that the lawmaking "culture" could change. For example, could electronic devices alter the internal distribution of power? Might members become too dependent on technological devices? Would the House and Senate require an array of standby technical staff to fix or replace lawmakers' computers should they break down during floor debate? If lawmakers are absorbed in cyberspace, will this escalate the tendency in both chambers for the floor to be a processor of bills rather than an arena of deliberation?<sup>98</sup>

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<sup>97</sup> Judith Havemann, "Moynihan Poses Questions of Balance," *The Washington Post*, August 14, 1995, p. A15. Also see Steven Hill, "Anachrosaurus Rex: Minority-Rule Senate," *Christian Science Monitor*, March 16, 1998, p. 11.

<sup>98</sup> See George Connor and Bruce Oppenheimer, "Deliberation: An Untimed Value in A Timed Game," in Lawrence Dodd and Bruce Oppenheimer, eds., *Congress Reconsidered*, (continued...)

On the other hand, some suggest that it is only a matter of time before a new generation of lawmakers wins election to Congress and for whom electronic devices are simply second nature. For these "Netizens," cyberspace is something they've traveled in since childhood. Once in Congress, they are likely to insist that they be allowed to bring their own electronic technology to the floor, especially if it is to be used exclusively to acquire floor-specific information.

Advances in technology may eventually enable lawmakers to employ "virtual reality" multimedia displays on the floor. During consideration of a NASA reauthorization bill, as an example, lawmakers might be able to experience the equivalent of what it is like to be on Mars or some other planet. "Wearable" computers might soon replace microcomputers or laptops and be so unnoticed that their use will not distract any lawmaker in the chamber. "The ultimate goal of research into wearable computers," says an M.I.T. professor, "is to produce devices that are as unobtrusive and as useful as eyeglasses or a wristwatch."<sup>99</sup>

***Public Education and Participation Through Interactive Hearings.*** A central role for Congress is to educate the citizenry about the issues on its agenda. This function is often performed in the "little legislatures" of committees where lawmakers focus their time and attention in learning about policies and their implications. A mini-trend on Capitol Hill that will surely accelerate in the near-term is the use of "high tech" committee hearings.

Several House and Senate committees have already employed online technology to conduct Capitol Hill hearings with witnesses who were located elsewhere in the United States or the world. The testimony presented at these sessions was also made available over the Internet. In at least one case, the "real time" effect of testimony was monitored minute-by-minute. When Federal Reserve Chairman Alan Greenspan testified at a hearing, "an aide with a laptop computer was slipping him notes on how his comments were moving the stock market. He could tailor his words and tone accordingly."<sup>100</sup>

Some hearings have an interactive component with cable or C-SPAN viewers e-mailing or telephoning questions to witnesses or committee members. Interactive committee hearings are likely to increase as the viewing public expresses more interest in participating directly in this process. Capitol Hill committee rooms will need to be "wired" to accommodate hearings that can video-link witnesses from anywhere in the world and that allow viewing citizens to ask questions of the participants. While there will be issues of cost, manipulation, bias, or authenticity,

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<sup>98</sup>(...continued)  
Fifth Edition, Washington, D.C.: CQ Press, 1993, p. 328.

<sup>99</sup> Vincent Kiernan, "Computers You Can Put On May Soon Be No Put-On", *The Chronicle of Higher Education*, October 24, 1997, p. A22. People are also predicting the decline in use of PCS as non-PC computing devices perform many of their functions. See Kevin Maney, "Take the Internet With You In a Phone, Watch, or Shoe," *USA Today*, March 19, 1998, p. 1B.

<sup>100</sup> Jonathan Weisman, "Lawmakers Gingerly Step Into the Information Age," *Congressional Quarterly Weekly Report*, November 29, 1997, p. 2939.

electronic hearings are likely to increase because they have the potential to expand the range of views presented to committees and to create a hearing environment that can literally encompass the world.

### III. THE ROLE OF THE NATIONAL GOVERNMENT

The role of the national government in our political, economic, and social life has been part of our public conversation from the country's beginning. Today, the debate about government is often intense. Some want to "get government off our backs," eliminate certain functions entirely, privatize others, or devolve federal responsibilities to states and localities. These proponents argue that the "era of big government" is over.

Others contend that big government is not over--witness a \$1.7 trillion budget that impacts the life of every individual. Instead, what may be over is an era of even bigger government. "Big government" is an imprecise phrase. It can mean many things, including the number of federal employees or regulations, the size of the federal budget, or the share of federal outlays as a proportion of the Gross Domestic Product (the nation's total output of goods and service).

The debate about the size, reach, and scope of the national government is not likely to ever end. A major reason is profound ambivalence among the citizenry. In the abstract, most Americans will say they want smaller and less costly government. Since our creation as a republic, citizens typically have been suspicious of governmental power. Let's use, they often say, our communities, churches, families, charities, or state and local governments to address our problems and needs. Many contend, too, that an unfettered private marketplace is the best guarantor of providing opportunities and possibilities for everyone.

Yet on specific matters, Americans of virtually every ideological stripe, including "big government" conservatives, turn to government to fulfill their goals. They also seek its assistance during times of need or crisis.<sup>101</sup> "The government is the enemy until one needs a friend" is how Secretary of Defense William Cohen once phrased it after a tragic airline crash.<sup>102</sup> Constituents, too, are usually strong proponents of governmental programs that serve their interests; they also want protections from a marketplace where the "bottom line" may be all that matters regardless of any social costs, such as pollution of the air, water, or soil.

Many citizens instinctively understand that the "big government-small government" debate does not capture reality very well. Understandably, few Americans like to pay taxes. Yet they recognize that their tax dollars play an essential role in supporting national defense, environmental protection, or health research and

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<sup>101</sup> For a discussion of "big government" conservatives, see Paul Starobin, "The Daddy State," *National Journal*, March 28, 1998, pp. 678-683.

<sup>102</sup> Quoted in E.J. Dionne, Jr., "Back from the Dead: Neoprogessivism in the 90s," *American Prospect*, September-October 1996, p. 25.

disease prevention. In brief, there are areas where citizens may want more government, not less, with the reverse holding true for other endeavors.

The debate surrounding the government's size or role will not be settled here. Given our democratic tradition, people generally get the kind of government they want or deserve. If they don't like what government is doing or believe it is heading in the wrong direction, they can elect different people who can try to chart a new course.

Today, with divided government, the absence of any domestic or international crisis, a booming economy, and a public generally satisfied with the status quo, there is little apparent support for an activist federal government. Plus, people seem to have revised their expectations of government. There appears to be a shift away from government's role as national problem-solver to it becoming more of a national cheerleader, standard-setter, or catalyst.

In the past, government has often sought to solve the citizen's problems for him. Today, the trend is reversing. Government increasingly is seeking to help people solve problems for themselves, or to involve other nongovernmental agencies in collaborative efforts.<sup>103</sup>

Regardless of how the shape or size of government evolves (also see the discussion below on national governance), it is plain that several major issues will be high on Congress's agenda in the 21st century. For illustrative purposes, three topics will be examined because of the virtual certainty that they will be subject to extensive congressional debate. These items include (1) the policy repercussions that flow from the demographics of our aging society, (2) scientific breakthroughs that raise ethical issues involving life and death, and (3) the challenges of demographic diversity.

#### 1. Our Aging Society.

One of the great success stories of the 20<sup>th</sup> century is the longevity of our citizenry. In 1900, the average life span was 49 years; today it is 76 with those in the 85 and over category constituting the fastest-growing age bracket.<sup>104</sup> Who can say how long people will live in the 21st century? The potential for future medical breakthroughs and healthier personal life styles (a better diet and no smoking, for example) means that hundreds of thousands of persons born at the end of the 20th century will live to see the start of the 22nd century.

Scores of implications flow from people living longer, such as changes in consumer spending habits or entertainment patterns; the heightened prevalence of certain afflictions--arthritis, heart disease, or diabetes--associated with aging; more young adults caring for their elderly parents; and the potential for inter-generational

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<sup>103</sup> Blake Harris, "The Quantum Mirror--Tomorrow's Paradigm," *Government Executive*, October 1997, p. 36.

<sup>104</sup> Marilyn Elias, "In Step With March of Time," *USA Today*, May 11, 1998, p. 1D.

feuds over the distribution of the country's fiscal resources. The poverty rate for children, for instance, is twice as high as that for senior citizens.

In brief, the United States is in the midst of an unprecedented demographic change: the aging of our nation's population. For example, there are more persons over 65 today than there are teenagers and the gap is projected to widen in the next century. Much of this demographic change has been triggered by the longevity of the so-called "baby boom" generation (those born from 1946 through 1964).

With many of the 77 million baby boomers slated to start retiring around 2010, the financial cost of benefit programs for the elderly (Social Security and Medicare) will quickly escalate and confront American society with this question: How much is it willing to spend for health and retirement benefits in the 21<sup>st</sup> century? Or as one scholar phrased it: "No society in human history has ever had to think about how to support a significant part of its population for three or more decades after they have stopped working."<sup>105</sup>

**Social Security.** Many commissions, task forces, and the like have anticipated the impact of the "boomer" generation's retirement. Social Security is in no imminent fiscal danger, but there are concerns that in another 75 years the system will not be in balance as outlays will increasingly exceed revenues. To deal with this contingency, there are recommendations to gradually raise the retirement age from 65 to 70; to permit the establishment of personal retirement accounts; to eliminate or reduce cost-of-living adjustments; to means-test benefits; and, generally, to foster greater personal self-sufficiency for all retirees.

Proposals of this sort differentially impact various population groups. For instance, many blue-collar workers may resent having to work to 70, because they are employed in physically-taxing jobs. They want to be eligible for an earlier retirement. Or younger employees may object to waiting for 70-year-olds to retire before they can have advancement opportunities.<sup>106</sup>

Some analysts suggest that any future "crisis" in Social Security is more myth than reality.<sup>107</sup> They contend that increases in economic growth and worker productivity will generate more than enough financial resources to make up for fewer

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<sup>105</sup> Alan Wolfe, "The Age of Anxiety," *The New Republic*, November 25, 1995, p. 39.

<sup>106</sup> Del Jones, "Pushing Back Retirement," *USA Today*, December 11, 1997, p. 1B. The eligibility age for Social Security retirement is slated to begin rising in 2000 "until it reaches age 67 for those born in 1960 and later."

<sup>107</sup> See, for example, Eric Tyson, "Worries of Boomers Savings Misplaced," *USA Today*, August 7, 1997, p. 13A; Henry Aaron, "The Myths of the Social Security Crisis," *The Washington Post*, July 21, 1996, p. C 1; Robert Eisner, "What Social Security Crisis?" *Wall Street Journal*, August 30, 1996, p. A8; and Mark Weisbrot, "Baby Boomers Need Not Fear," *Journal of Commerce*, April 20, 1998, p. 5A. On April 28, 1998, the Clinton Administration announced that with the economy's strong performance the Social Security "trust fund won't run out of money until 2032, three years later than previously expected." Amy Goldstein, "Forecast Brightens For Social Security," *The Washington Post*, April 29, 1998, p. A2.

wage earners supporting more retirees. For example, when Social Security began in 1935, there were more than 40 workers paying taxes to support each retiree. This is no longer the case as a decline in the birth rate has meant fewer workers supporting each elderly retiree, as revealed below.

#### Trends in the Ratio of Workers to Retirees

	Workers	Beneficiaries	Ratio
1960	73 million	14 million	5-to-1
1997	145	44	3-to-1
2030	167	82	2-to-1

Source: Del Jones, "Pushing Back Retirement," *USA Today*, Dec. 11, 1997, p. 2B.

Some analysts also suggest that the next century is likely to witness the influx of more immigrants as well as higher birth rates. These developments will produce more than enough young workers who can pay into Social Security and thus keep the system solvent indefinitely. Needless to say, there are many issues and projections surrounding Social Security, and they are being discussed in various forums, including President Clinton's "national dialogue on how to save Social Security for the boomers and their children."<sup>108</sup>

**Medicare.** In 1965, the national government created a health program for the elderly and disabled. Called Medicare, spending for this program is projected to surge with the retirement of the baby boomers. Two parts make up Medicare: Part A pays for hospitalization, home health, and hospice services and is financed by a payroll tax paid by all workers and their employers; Part B covers physician and laboratory services and out-patient care. Its costs are defrayed by premiums paid by beneficiaries and by general revenues, which cover about three-quarters of this Part's overall cost.

Medicare is the fastest-growing federal entitlement program and its financial costs will dramatically increase when the baby boomers start to retire. Both the Clinton Administration and the Congressional Budget Office project that Medicare costs will grow--unless changes are made--approximately 9 percent annually while the economy will expand at around 5 percent a year. "A program as big as Medicare -- the third largest in the federal budget--cannot grow almost twice as fast as the economy for long," wrote budget expert Robert Reischauer, "without necessitating drastic cuts in other government activities, big tax increases, or larger budget deficits -- none of which appears politically feasible or desirable."<sup>109</sup>

<sup>108</sup> David S. Broder, "The Social Security Dialogue," *The Washington Post*, February 1, 1998, p. C9.

<sup>109</sup> Robert D. Reischauer, "Medicare: Beyond 2002," *The Brookings Review*, Summer 1997, p. 24.



Unsurprisingly, there are many proposals to address the huge future costs of Medicare so that it (along with other entitlement programs) does not consume most federal revenues. With the elderly living longer and requiring more health care ("close to a third of Medicare's budget is spent on the last year of patients' lives"), there is a dual and simultaneous concern: providing sufficient federal funds to care for the medical needs of the aged without jeopardizing the long-term economic health of the nation.<sup>110</sup> Although we are entering the surplus politics era, the 21<sup>st</sup> century may witness the return of deficits when the boomers become eligible for Social Security and Medicare.

Some reforms that have been offered to cope with the future costs of Medicare are to means-test the program by requiring more affluent retirees to pay higher monthly premiums; to raise the eligibility age (from 65 to 67) for Medicare benefits; to take stronger actions against Medicare fraud; to privatize portions of Medicare; to limit payments to health care providers; or to cap Medicare benefits. To be sure, the entire health system might be nationalized so as to provide health care for every American, including the estimated 40 million adults and children without any health coverage. Or the national government might decide to provide the elderly with medical coverage through health maintenance organizations (HMOs), which may stipulate the extent of medical treatment that the elderly may receive. It is already the case that about one-eight of Medicare participants "choose to obtain their health care services through approved HMOs rather than through the traditional fee-for-service system."<sup>111</sup>

*The World Ages.* Even on a global scale, life expectancy for most people is projected to be longer and healthier—a trend fostered by developments such as better sanitation and immunization against various diseases. "The average life expectancy for a baby born in 2025," wrote a journalist, "is projected to be 73 years, up from 66 years today, as death becomes increasingly equated with old age, not just in North America and Europe but worldwide."<sup>112</sup> As the United States struggles with the challenges of its own aging population, it will also confront the global aging trend.

Every major industrial nation in the world faces the problem of how to provide retirement and health benefits for their burgeoning retired populations. These concerns no longer impact only Japan, Germany, or France. In our global economy, anything that causes fiscal stress in one nation can quickly spill over to affect many others nations, as illustrated by the Asian financial crisis. A global capital shortage, for example, could cripple world economic growth and limit the aspirations of the developing world. In short, "every nation has a stake in the way other countries respond to the challenges of their aging societies," said two scholars. "Indeed, if one lesson is to be learned from the recent turbulence in global markets, it is that

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<sup>110</sup> The quoted material is from Andrew Hacker, "The Medicine in Our Future," *The New York Review of Books*, June 12, 1997, p. 29.

<sup>111</sup> Reischauer, "Medicare: Beyond 2002," p. 25.

<sup>112</sup> Lee Bowman, "Longer, Healthier Life is Rx for 21<sup>st</sup> Century," *The Washington Times*, May 11, 1998, p. A6.

problems like societal aging must be anticipated and addressed in a multilateral context before they become a source of global financial instability."<sup>113</sup>

## 2. The Scientific Revolution.

Benjamin Franklin once wrote: "The progress of human knowledge will be rapid and discoveries made of which we at present have no conception."<sup>114</sup> No doubt Franklin would be astonished to learn about all the "discoveries" that have been made since his passing, especially those of recent years. Almost daily we read or hear about new and important scientific findings. There are so many that it is hard to keep up with them all and to fathom their implications. Here are a few examples:

- Astronomers, with their increasingly sophisticated tools of observation such as the Hubble Space Telescope, are advancing new ideas about the evolution of the cosmos. As one account said: "In what may be a major insight into the nature of space itself, astronomers have discovered evidence that the universe is expanding rapidly under pressure of an anti-gravity force first proposed by Albert Einstein."<sup>115</sup>
- Physicists have reported the first experimental confirmation of a "Star Trek"-like teleportation where an object disintegrates in one place to reappear unchanged somewhere else. The feat involved "replicating the exact properties of one light particle, or photon, in another three feet away."<sup>116</sup>
- A NASA spacecraft has "discovered what appears to be ample amounts of water on the moon--opening the possibility of moon colonies, complete with refueling bases for solar system exploration."<sup>117</sup>
- Agricultural biotechnology is being used to develop "everything from genetically altered soybeans containing less saturated fat to bioengineered pork that's healthier to eat."<sup>118</sup>
- A majority of biologists believe that a mass extinction of plants and animals is underway "that poses a major threat to humans in the next century .... The rapid disappearance of species was ranked as one of the planet's gravest

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<sup>113</sup> Paul Hewitt and Bradley Bell, "Staying Afloat As the World Ages," *The Washington Post*, February 12, 1998, p. A23.

<sup>114</sup> Quoted by President Bill Clinton in "Science Is A Major Priority," *The Journal of Commerce*, March 26, 1998, p. 7A.

<sup>115</sup> K.C. Cole, "Data Support Einstein Theory of Cosmic Force," *Los Angeles Times*, February 27, 1998, p. A1.

<sup>116</sup> K.C. Cole, "Scientists Report Primitive Step in Teleportation," *Los Angeles Times*, December 11, 1997, p. A1.

<sup>117</sup> K.C. Cole, "Water Possibly Found on Moon," *Los Angeles Times*, March 6, 1998, p. A1.

<sup>118</sup> Pamela Sherrid, "Please Pass the Bioengineered Butter," *U.S. News & World Report*, March 2, 1998, p. 59.

environmental worries, surpassing pollution, global warming and the thinning of the ozone layer."<sup>119</sup>

- Scottish researcher Ian Wilmut headed a scientific team in 1997 that "cloned" what is probably the most famous sheep ("Dolly") since Mary's "little lamb." This achievement quickly touched off a debate among scientists, ethical experts, and public officials about human cloning.<sup>120</sup>
- Technological and scientific developments in transportation--ultralight materials, computer-aided aerodynamic designs, micro-electronics, new sources of energy, innovative engine designs, and so on--will lead to faster, safer, and more fuel efficient and pollution-free automobiles and airplanes.<sup>121</sup> Plans are even underway to launch a space tourism business with the first launch abroad a private spacecraft scheduled for December 1, 2001, "pending Federal Aviation Administration approval."<sup>122</sup>
- The Human Genome Project is deciphering "the entire three billion letters [the hereditary instructions of genes are written in a four-letter code] of human DNA," which "holds the genetic instructions to make and operate the human organism."<sup>123</sup> A benefit of this project is to permit scientists to better understand human diseases, both inherited and contacted during a person's lifetime.

These are but a few of the scientific developments that will continue to progress in the new millennium. One of them merits further discussion because of its breath-taking potential to produce a new wave of scientific knowledge and debate. "This was the century of physics and chemistry," proclaimed a 1996 Noble prize-winning chemist. "But it is clear that the next century will be the century of biology."<sup>124</sup> In fact, the 21<sup>st</sup> century may well be known as the "biotechnology age" as scientists combine biology and technology to create human life. The implications of man-made life, as well as related matters, are profound and raise important issues. A few examples will illustrate the point.

**Constructing Human Life.** Today, biologists are busy using computers to chart the basic elements of human life. Since 1953 when James Watson and Francis Crick announced the discovery of DNA--the chemical structure (a double helix) of the genetic code that determines the production of the human body--many biologists

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<sup>119</sup> Joby Warrick, "Mass Extinction Underway, Majority of Biologists Say," *The Washington Post*, April 21, 1994, p. A11.

<sup>120</sup> See, for example, Morgan Capron, "Slow the Rush to Human Cloning," *Los Angeles Times*, February 13, 1998, p. A11.

<sup>121</sup> See Joseph J. Romon and Amory B. Lovins, "Fueling A Competitive Economy," *Foreign Affairs*, Winter 1992/93, pp. 46-62, and "The Third Age of Fuel," *The Economist*, October 25, 1997, pp. 16-17.

<sup>122</sup> James Brooke, "Ambitious Entrepreneurs Planning to Send Tourists Into 'Astronaut Attitude'," *New York Times*, February 17, 1998, p. A16.

<sup>123</sup> Nicholas Wade, "The Struggle to Decipher Human Genes," *New York Times*, March 10, 1998, p. C1.

<sup>124</sup> "Special Report: The Biotech Century," *Business Week*, March 10, 1997, p. 79.

have been working to decipher “the genetic instructions to make and operate the human organism.”<sup>125</sup> Each person has “about 100,000 genes, and all of us inherit small differences in many of our genes that account for our individuality.”<sup>126</sup>

When “Dolly” was cloned (reproduction without sex), the event ignited a huge and continuing debate about the cloning of humans. The era of cloning, said one religious expert, is “a little like splitting the atom.”<sup>127</sup> Lawmakers, ethicists, scholars, philosophers, theologians, and many others are debating human cloning. The President created a National Bioethics Advisory Commission to consider the extent to which the federal government should be involved in the cloning of mammals.<sup>128</sup> An executive order of the President prohibits the use of federal funds for the cloning of human beings. In the private sector, “a confederation of biological research societies had adopted a self-imposed moratorium on the cloning of human beings. Internationally, European leaders have added a similar ban to the European Convention on Biomedicine.”<sup>129</sup>

Still, the debate over human cloning appears to have shifted from “never” to “why not?”<sup>130</sup> In the not too distant future, people may have the capacity to design their own babies. “Designer children” will possess the desired characteristics (male or female, tall or short, athletically or musically talented—or both, etc.) wanted by their parents, if they even have parents. The vision of a “Brave New World” with babies created in some biological factory is the specter for some; for others, the cloning of humans represents another landmark of scientific progress and heralds a new wave of medical wonders.

Nobel laureate Walter Gilbert says that, in a few decades, any of us “will be able to pull a CD out of one’s pocket and say, ‘Here’s a human being: It’s me!’” This will revolutionize a visit to the doctor’s office. In the year 2020, your doctor may take a piece of your skin, and place it in a breadbox-sized device on the desk, which will spit out a CD with your name on it.

This CD will be an “owner’s manual” for your body, with every single gene recorded. The CD will list the 12 or so defective genes that all of us carry. So the doctor may give you a shot—not for chickenpox or measles, but to cure some of the 5,000 genetic

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<sup>125</sup> Nicholas Wade, “The Struggle to Decipher Human Genes,” *New York Times*, March 10, 1998, p. C1.

<sup>126</sup> Remarks by Nobel laureate Dr. Michael Brown placed in the *Congressional Record*, October 3, 1991, p. E3236.

<sup>127</sup> Gustav Niebuhr, “Suddenly, Religious Ethicists Face a Quandary on Cloning,” *New York Times*, March 1, 1997, p. 1.

<sup>128</sup> Rick Weiss, “Issues of Cloning Research to Be Placed Under Microscope,” *The Washington Post*, March 3, 1997, p. A17.

<sup>129</sup> Sen. Bill Frist, “Human Cloning Debate May Be Greatest Test to Date,” *Roll Call*, October 22, 1997, p. 29.

<sup>130</sup> Gina Kolata, “On Cloning Humans, ‘Never’ Turns Swiftly Into ‘Why Not,’” *New York Times*, December 2, 1997, p. A1.

diseases that have plagued humanity since the dawn of time, such as sickle-cell anemia, Tay-Sachs disease and cystic fibrosis.<sup>131</sup>

Biotechnology promises both a world of genetic therapies, wonder drugs, and healthier and longer-lived people and a world with new and unpredictable risks. Think of the potential for the genetic customization of babies and what this may imply for the future evolution of humankind. Or contemplate the genetic development of new plants, animals, or plant-animal combinations, and the rush to patent these biological creations. "People still think we're headed into the information age," said Jeremy Rifkin, "when the real shift is toward the genetic commerce age."<sup>132</sup>

Congress, as a result, will confront a host of legal, regulatory, ethical, and other concerns that are associated with genetic engineering and genetic commerce. There will, for instance, be issues of intellectual property rights and the copyright of medical procedures. The U.S. Patent and Trademark Office announced that it will deny patents on "monsters" or other "immoral" inventions. (A biologist wanted to patent a hybrid research creature: half animal and half human.) However, the Patent Office's decision stirred concern among medical researchers, scholars, and patent attorneys. "Once you start making those subjective judgments, there's a real danger that they're going to be made in an arbitrary, capricious and inconsistent manner," said one patent attorney.<sup>133</sup> Congress will need to craft new laws that address what kind of genetically-produced life (human, plant, animal) is subject to a patent.

**Debating A Right-to-Die.** The marvels of modern medicine mean that people are living longer. These same marvels also mean that life can be prolonged beyond what some people may want, such as those in the final stages of terminal illness or in a permanent vegetative state. Hence, there is increasing discussion of physician-assisted suicide as reflected in the news coverage accorded Michigan's "suicide doctor" (Jack Kevorkian) and Oregon's 1997 legalization of doctor-assisted suicide.<sup>134</sup>

Increasingly, American society will grapple with both passive (switching off life-support systems) or active (administering drugs to someone not on life support systems) euthanasia, because they are topics especially compelling to our aging society.<sup>135</sup> Several years ago a Colorado governor suggested that there had to be limits to health care access simply because of escalating cost pressures. He stated that the terminally ill elderly have a "duty to die." "We save people from heart

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<sup>131</sup> Michio Kaku, "As Science Finds Answers, It Uncovers Questions," *Los Angeles Times*, March 13, 1998, p. B2. For a discussion of "bio-piracy," see Mary Williams Walsh, "A Big Fish in a Small Gene Pool," *Los Angeles Times*, June 5, 1998, p. A1.

<sup>132</sup> Quoted in William Raspberry, "Cornering the Market on Life," *The Washington Post*, June 8, 1998, p. A23.

<sup>133</sup> Weiss, "What Is Patently Offensive?" p. A17.

<sup>134</sup> Timothy Egan, "No One Rushing in Oregon To Use a New Suicide Law," *New York Times*, March 15, 1998, p. 18.

<sup>135</sup> "The Euthanasia War," *The Economist*, June 21, 1997, pp. 21-24.

attacks at 75 to have them die of Alzheimer's disease at 85," he said. "An aging society needs a deeper dialogue on how we set limits."<sup>136</sup>

In 1997, the Supreme Court unanimously rejected the idea that there is a constitutionally protected right to have doctors assist in personal suicides. As Chief Justice William Rehnquist said: "Throughout the nation, Americans are engaged in an earnest and profound debate about the morality, legality and practicality of physician-assisted suicide. Our holding permits this debate to continue, as it should in a democratic society."<sup>137</sup> Questions of potential abuse, the definition of "terminally ill," the rights of patients, and so on are issues that will be woven into Congress's ongoing debate about health care: its cost, coverage, quality, and accessibility.

**Genetic Testing.** The implications of biotechnology for social policy will increasingly engage the Congress. If the genetic makeup of individuals can be mapped with accuracy, who will use or have access to this information? For example, if someone is known to carry specific inherited characteristics, such as the gene for breast cancer or Huntington's disease, will that person be subject to various forms of genetic discrimination? Will employers dismiss workers who carry these types of inherited medical conditions? Will workers be required to undergo genetic testing as a pre-condition for employment? Will insurance companies consider the results of genetic tests in pricing (or canceling) their health policies? Can the genetic privacy of individuals be assured?

### 3. The Challenge of Diversity.

There is little question that a demographic shift is changing the face of American society and, in the process, American politics. By the middle of the next century, it is expected that the United States will have no majority racial or ethnic group—a situation that exists today in Hawaii and New Mexico and soon is to occur in California. Already the nation is grappling with issues triggered by demographic tensions, as evidenced by the debate over bilingual education, affirmative action, English as the nation's official language, or government benefits for legal aliens. In some urban areas, there is increased racial tension between Hispanics—the majority group—and blacks competing for the same jobs and even a lack of understanding between recently-arrived black foreign immigrants and native-born African-Americans.<sup>138</sup> Understandably, President Clinton has launched a national dialogue on race "to prepare the country for the multicultural society that lies ahead."<sup>139</sup>

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<sup>136</sup> Ronald Brownstein, "If Lamm Gets Reform Nod, Expect New Debate on Entitlements," *Los Angeles Times*, June 17, 1996, p. A7.

<sup>137</sup> Quoted in E. J. Dionne Jr., "A Right That Doctors Spurn," *The Washington Post*, July 1, 1997, p. A19.

<sup>138</sup> Blaine Harden, "In N.Y., Anger Is No Longer Defined in Black and White," *The Washington Post*, June 9, 1998, p. A3.

<sup>139</sup> Jill Lawrence, "Political Battlegrounds of the Future," *USA Today*, August 8, 1997, p. 6A.

**A Nation of Immigrants.** From its beginning, the United States has been a nation of diversity: religious, linguistic, ethnic, and racial. Our country is like a magnet that over the centuries has attracted different immigrant "waves" to our shores. For immigrants to assimilate as citizens meant a commitment to certain ideas and ideals embodied in documents such as the Declaration of Independence, the Constitution, and the Bill of Rights. Our national motto--*E pluribus unum* (From many, one)--highlights the metamorphosis immigrants were expected to experience in becoming Americans.

Today, the idea of assimilation is under stress. In February 1998, in an oft-repeated story, a huge crowd in a Los Angeles soccer stadium booed during the singing of the "Star Spangled Banner" and hurled insults and bottles at the U.S. team. The stands were predominately filled with Mexicans and Mexican-Americans who were there to cheer the visiting Mexican national soccer squad.<sup>140</sup> This incident provoked widespread discussion. Nativists wanted to curb immigration; multiculturalists argued that immigrants "should not have to become Americans."<sup>141</sup> Still others suggested that in "this age of 'transnationalism' many people will cross borders so easily that they will establish ties and allegiances to more than one country."<sup>142</sup> Ease of travel and communications enable immigrants to maintain close ties to their home country. The growing global phenomenon of "dual citizenship" also underscores the multiple allegiances of many people.<sup>143</sup>

However one views the soccer incident--an aberration or a harbinger of the future--it is evident that significant demographic forces may be transforming our sense of nationhood and national identity. This potential transformation is shaped in part by today's migration patterns. During the early part of this century, most immigrants came from several different European nations. Today, two regions of the world--Latin America and Asia--now dominate with Mexicans constituting more than half of all Hispanic emigres. In fact, never before "have so many immigrants come from a single country--Mexico--or from a single linguistic source--Spanish-speaking Latin America."<sup>144</sup> "Europe has dried up as a source of immigration," according to one scholar.<sup>145</sup>

The result, according to analysts, is that some newer immigrants have the capacity to resist assimilating into American society. Hispanic concentration in specific geographic areas--the Southwest and West--bordering Mexico suggests the

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<sup>140</sup> Linda Chavez, "Our Hispanic Predicament," *Commentary*, June 1998, p. 47.

<sup>141</sup> John J. Miller, "Becoming An American," *New York Times*, May 26, 1998, p. A27.

<sup>142</sup> T. Alexander Aleinikoff, "A Multicultural Nationalism?" *The American Prospect*, January-February 1998, p. 80.

<sup>143</sup> Mark Fritz, "Pledging Multiple Allegiances," *Los Angeles Times*, April 6, 1998, p. A1. Also see William Branigin, "New Law in Mexico Allows Emigres to Call Two Nations Home," *The Washington Post*, May 31, 1998, p. A3.

<sup>144</sup> William Branigin, "Immigrants Question Idea of Assimilation," *The Washington Post*, May 25, 1998, p. A13.

<sup>145</sup> David M. Kennedy, "Can We Still Afford to Be a Nation of Immigrants?" *The Atlantic Monthly*, November 1996, p. 64.

possibility of a different assimilation pattern for Latinos. They may have the will and inclination to maintain their cultural association and ties with their home countries indefinitely rather than identify with America and its ideals.

Further, given their critical mass in certain regions, Mexican-Americans "could also undertake to do what no previous immigrant group could have dreamed of doing: challenge the existing cultural, political, legal, commercial, and educational systems to change fundamentally not only the language but also the very institutions in which they do business."<sup>146</sup> Evidence of the growing role of Hispanics in these areas was seen in the recent 1998 gubernatorial elections in California. The four major candidates participated in an unprecedented state-wide televised debate. The debate was conducted in English *and* Spanish--a "sign of the soaring importance of Latinos in the state's politics."<sup>147</sup>

Perhaps never more than today is the United States, as Oscar Handlin (the noted scholar of immigration) said, "not merely a nation, but a teeming nation of nations."<sup>148</sup> Cultural differences are here to stay, and they will escalate in the future. Amid all this diversity is concern about the "ties that bind." Worry about the further "balkanization" of America is sure to follow this development as well as heightened interest in what steps can be taken to better integrate immigrants into American society. All this will raise questions about education, social, health, and economic policy. For example, many new immigrants lack adequate educational or job skills--just as the case with earlier waves of immigrants from Europe. "What has changed, however, is the nature of the U.S. economy, which increasingly requires education and skills to assure an upward path."<sup>149</sup>

**A Changed Congress.** The growing diversity of society will eventually be reflected in the composition of Congress. This is not to suggest that different groups will be represented in the House or Senate in proportion to their numbers in the populace at large. Our electoral system is geared toward the selection of individuals who can persuade voters to elect them regardless of their race, gender, or ethnicity. Still, there have been significant changes in the diversity of congressional membership. The early Republic was primarily a society of white males, immigrants from the British Isles and northwest continental Europe. Neither women nor African-Americans participated in the affairs of the state (the Constitution even provided that slaves be counted in the census as only three-fifths of a free person.).

Today, it is plain that diversity is commonplace in the 105th Congress. There are, for example, 55 women serving in the House and 9 in the Senate; 39 African-

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<sup>146</sup> Kennedy, "Can We Still Afford to Be a Nation of Immigrants?" p. 68. See William H. Frey, "The Diversity Myth," *American Demographics*, June 1998, p. 39.

<sup>147</sup> William Booth, "In Sign of Latino Clout, Calif. Debate Is Broadcast Also in Spanish," *Los Angeles Times*, May 24, 1998, p. A2. See Amy Pyle, Patrick McConnell and Hector Tobar, "Latinos Continue Gains at the Polls," *Los Angeles Times*, June 4, 1998, p. B1.

<sup>148</sup> Donna Mungen, "Oscar Handlin," *Los Angeles Times*, August 13, 1995, p. M3.

<sup>149</sup> Branigan, "Immigrants Question Idea of Assimilation," p. A13.



Americans in the House and one in the Senate; 19 Hispanics in the House; and 5 Asian and Pacific Islanders in the House and 2 in the Senate. In addition, an American Indian serves in the Senate.<sup>150</sup> To be sure, neither chamber accurately mirrors the nation in terms of gender, race, or ethnicity. Women account for more than half the nation's population but make up less than 10 percent of the Congress.

Nonetheless, the sizable numbers of women in Congress (by comparison with earlier eras) has affected Capitol Hill in several ways. Aside from modest changes, (opening the gymnasiums to both sexes, e.g.), the influx of women has brought important adjustments in political agendas and in ways of doing business. Issues such as gender discrimination and harassment are seriously addressed rather than being labeled "women's issues."

Contemplate what the election of more Hispanics, African Americans, or Asians might do to the agenda and focus of Congress. Surely different regions of the world, such as Latin America and the Pacific Rim, will receive greater attention in hearings and debates than they do today. As political commentator Kevin Phillips observed: "Escalating Latino and Asian immigration to the Sun Belt, especially Florida, Texas and California, is coming hand-in-hand with the transformation of those states into U.S. cultural, commercial, financial and even political windows on the world's rising regions of East Asia and Latin America."<sup>151</sup>

In sum, as the nation gets older and less white, there will inevitably be political and policy repercussions that flow from these changes. Political battles, for example, will be fought over who pays and who benefits from various governmental programs. Those with the policy clout--citizens who turn out to vote--are likely to carry the day. Projections suggest that this appears to be the "senior boomers" who may live longer in the 21<sup>st</sup> century than anyone can now predict given promising genetic research into the aging process. In view of the sweeping social, scientific, technological, and other changes facing the country, the challenge for Congress is to ensure that the nation's successful adaptations in the past and present will translate into equally successful ones in the future.

**The Prospects for National Governance.** During a time of new and emerging demands and challenges, there are some who argue that it is time to modernize our old structures of government. In place for over 200 years, these structures should be redesigned to reflect a society that is dramatically different from what it was in 1787. Technological and global economic developments, they argue, diminish national governmental authority. Some problems are so large, argues futurist Alvin Toffler, "they can no longer be handled at the national level. While the idea of moving power downward has a great deal of political support, moving power up to the transnational level has very little political backing--and yet may be equally important."<sup>152</sup>

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<sup>150</sup> *CQ Daily Monitor*, June 2, 1998, p. 4.

<sup>151</sup> Kevin Phillips, "New Americans for the Next America," *Los Angeles Times*, part V, May 11, 1986, p. 2.

<sup>152</sup> Alvin Toffler, "The Political System Cannot Cope with Today's Diversity," *U.S.* (continued...)

On the other hand, there are those who dispute the idea that our national government is in need of a fundamental overhaul. They argue that our complex system of separate institutions sharing and competing for power has repeatedly demonstrated its capacity to accommodate new realities. What's needed to ensure a more effective government, at least for some, is for the president to reassert his role as Chief Manager and to exercise greater control over a disaggregated national government which increasingly relies on "third parties" (state and local governments, non-profit organizations, quasi-governmental bodies, and so on) to administer governmental programs. "Competent government is, quite simply, a necessity if the United States is to be a serious player in the international arena of the 21<sup>st</sup> century."<sup>152</sup>

In sum, the nature or role of national governance is subject to constant negotiation between the governed and the governors. Sometimes citizens express high trust in the capacity of government to do the right thing most of the time. On other occasions, they evince little trust in government and view it as the source of their problems. Sometimes we witness trends toward devolution; at other times there is significant federal preemption of local, state, or private functions. With the end of the Cold War, many citizens want to focus more on domestic concerns, yet the impact of the global economy and international events cannot be ignored and require a significant role for the national government. Ferment and flux provide the continuing context for governance in our information age society and economy.

What may be evolving, however, is a greater emphasis on approaches that rely less on the central government for the resolution of problems and more on individual initiative and local self-government. People appear to want neither "big government" nor "hollow government." They seem to be looking for another approach, something that renews the civic culture so that citizens can better address the challenges they confront in their communities. Thus, the search is for a new "public philosophy" that accommodates a limited but important role for government with a vibrant civil society that handles problems that the national government cannot cope with very well. We are, in short, in a time of transition regarding the government's role. People are skeptical of government, but they still affirm its activist role in many areas. Predictably, there will be ongoing debate about the appropriate role of government in the soon-to-be next century.

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<sup>152</sup>(...continued)

*News & World Report*, June 9, 1980, p. 19.

<sup>153</sup> Ronald C. Moe, "Hollow Government: The President's Biggest Challenge," in Roger Davidson and Walter Oleszek, eds., *Governing: Readings and Cases in American Politics*, 2<sup>nd</sup> ed., Washington, D.C.: CQ Press, 1992, p. 364.

## CONCLUDING OBSERVATIONS

The future Congress will face a remarkable range of multifaceted issues and topics, in large part because of escalating complexity. The pace of change, the acceleration of technological advances, the speed of communication, the expansion of the global community, the widening of cultural diversity, and more will be important forces that will impact Congress's work and routine in ways that are difficult to predict. How the legislative branch accommodates and assimilates all these forces will be among its major 21<sup>st</sup> century challenges.

The CHAIRMAN. That is a very, very helpful statement that you have provided, and I will tell you that the focus on the issue of deliberation is one which I think can't be underscored enough when we go back to the framers and realize what it is that they were trying to establish here. Deliberative process was a very, very high priority for them, and I am reminded of our former colleague Mo Udall, who, when I came here in my first year, said to me that Congress is like a fire station. We rush to put out a fire, and the moment that fire is under control, we simply rush to another one, and sometimes that fire is not completely put out. And so I do think that the need for deliberation is very important, and I appreciate your bringing that to this debate on the issue of biennial budgeting.

I will call on Mr. Goss.

Mr. GOSS. Thank you very much. I am very glad that I was here to hear that testimony. I think you hit on two themes that are absolutely critical that, frankly, we haven't had brought before us before. I would like to talk to you further on the subject of long-term vision and strategic concept, as it were, both domestic and international, because I think that is the single greatest gap. Things are moving so fast, we don't seem to have the opportunity to understand the vision as we set about the task of trying to provide the capabilities to get to the vision, so consequently we are running at a fire quite often, whether it is the tyranny of the in-boxes, as you say, or just too darn much to do.

On the oversight question I also couldn't agree with you more. One of the reasons for my interest in biennial budgeting is to give us time that can be applied to oversight. You mentioned you talked with Mr. Tenet. You probably recall that the intelligence authorization is mandatory. We have to authorize. It is unlike any of the other committees that are supposed to authorize, but, as you know, the Rules Committee can waive the "supposed to", and then we get on with our business. That is not true in intelligence, and consequently in intelligence we have a rather penetrating focus, very intense, very broad scope of everything that is going on in the Intelligence Community, which is entirely appropriate because we are the safeguard that the Intelligence Community operates within bounds.

But we also have that mandate to authorize, and I find that it assists us in doing our oversight to have that, and I find that we have a better understanding both with the people we are overseeing and the appropriators about what we are doing as a result of this process. But I am perpetually pressed for time on annual budgeting. That comes to a conclusion that you can come to, an ergo, that therefore biennial budgeting is something that we might profit from.

My thought was if that is true, do you think that there would be any wisdom in going back and looking at the authorizing committees, which you have portrayed as not as important as they should be, and requiring mandatory authorizations before these appropriators move for some or all of the committees, as we do it on intelligence? It is a thought I am kicking around in my mind and

with a few other of the chairmen. I would be interested to know if you think that is too extreme a step.

Mr. HAMILTON. Porter, I just haven't thought about mandating it. I knew that was the situation with regard to the Intelligence Committee. I have been greatly distressed at the decline in the impact and influence of authorizing committees. I guess I just have to think about the question of mandating. It might be part of the solution to do it, to require an authorization before you get to the appropriation. So I am open to it.

Mr. GOSS. I would like to take advantage of our friendship and this occasion to invite myself to extend this dialogue, if I could, down the road, because I think these are both areas that need looking at.

Mr. HAMILTON. You know what happens all the time now is that the executive branch just moves up on the authorizing committee, so why fight the battle? We are going to have to fight it. Let us push it over on the appropriators, and we will fight the battle over there. That is understandable why that happens, but it is the process that bothers me a great deal because I think it turns all kinds of issues into strictly a budget issue, and this is not desirable. That is not the perspective which you ought to have on—not the total perspective that you ought to have on a given problem.

Mr. GOSS. The other point, if I may continue for just a moment, Mr. Chairman, the other point is we have heard a lot of concern, and I think Mr. Moakley has underscored this very well, as have several of the witnesses, about being sort of penned in for 2 years, that midcourse corrections would be very hard to make under biennial budgeting. I don't have that problem, but I would be curious to know if you think projecting our midcourse corrections is going to be a problem, if you would go into it.

Mr. HAMILTON. I don't believe so. I think you are still going to have flexibility in the system. You are still going to have supplementals coming up. Members are still going to be able to assert themselves on all sorts of issues that pop up from time to time, and I am not overly worried about that.

The thing that I just cannot understand about the position of those who oppose the biennial budgeting, who say that it will increase power to the President, is that the system today gives all the power to the President, or a very large share of it, and I think you have got to find—I agree with them that you need to strengthen the congressional branch in the budgeting process vis-à-vis the President. I agree with that premise, but I think the present system is such that all the chips lie with the President, and I am looking for ways and means, frankly, to give the Congress more leverage, and I think the biennial budget gives us the opportunity to do it. It doesn't guarantee it, because you could not take advantage of the opportunity, but it will give you the opportunity.

Mr. GOSS. Well, from the perspective as a Member of Congress in today's world I agree with you. It seems we are looking up rather than looking down at the process. Thank you very much.

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. Lee, it is nice to see you looking so well.

Just to continue on the long-term look by the Congress, I agree that our authorization committees are being eroded little by little.

Let me ask you about the creation of task forces to do the work of the committees. In this morning's paper, Speaker Hastert created a new Republican task force headed by Representative Cox to look into our long-term foreign policy with Russia. Why shouldn't the International Relations Committee be doing that?

I think these are the things that erode our committee process when, all of a sudden, task forces are put in that preempt the committee's work and come straight to Rules Committee with some kind of a report, and the members of the committee never touch it.

Mr. HAMILTON. I think I agree with you, Mr. Moakley. I believe that the creation of these kinds of ad hoc committees undercut the committee process, and the committee process is being undercut in lots of different ways, and I think the task force might be one of them. A task force of that sort says in effect we don't have confidence in the committee to work it out. Now, there may be reasons for that sometimes, but that is—it does send that message.

The committee system is in jeopardy here. As a chairman of a committee a few years ago, I couldn't have a committee hearing on Monday, I could not have a committee hearing on Tuesday. I could not have a committee hearing on Friday. I could only—if I tried to set a committee hearing any of those days, I would just—Members would be outraged. So it means that every committee has to do their job on Wednesday and Thursday, and that is why you end up with 20 appointments on Wednesday and Thursday, and why you can't go into a committee for more than a short period of time.

The CHAIRMAN. If the gentleman would yield that point, I would say last Friday we had a hearing here, had a very large turnout, and Congress was not in session today.

Mr. MOAKLEY. This is the exception though.

Mr. HAMILTON. He has got more clout than I have.

Ms. SLAUGHTER. We meet at midnight.

The CHAIRMAN. And we still have a large turnout.

Mr. MOAKLEY. When you were here, this used to be a day job.

Mr. HAMILTON. That is the difference between International Relations and Rules Committee.

Mr. MOAKLEY. Lee, I remember when you were Chairman of the committee, and I was Chairman of this committee, and you came to the this committee many, many times, and you got your bills in, and you got them to the floor on time. What is changed between then and now?

Mr. HAMILTON. Well, we get the bill to the Rules Committee and to the floor, and often through the floor, but it would never be enacted into law.

Mr. MOAKLEY. That is—the Senate is the problem.

Mr. HAMILTON. I won't disagree with you there, but the primary piece of legislation of the International Relations Committee has always been the foreign aid bill, and my recollection is it hasn't been enacted into law since 1980 something.

Mr. MOAKLEY. Would that be any better under biennial budgeting?

Mr. HAMILTON. I can't say to you absolutely, yes, I think it would be better. It depends on how aggressively the Members would take advantage of the opportunity. I don't look upon biennial budgeting

as solving all the problems. We often have in the Congress a predilection to seek a procedural solution to substantive problems, and we all know that you can't do it. I mean, I have spent a lot of my time in Congress on reform of the process, and I believe in that, and I think it is helpful, but I never fool myself to think that it would suddenly make the resolution on these difficult political issues, important policy and political issues, easy. They are tough by definition. Process helps a little bit.

Mr. MOAKLEY. Do you think that because we serve a 2-year term, that long-term oversight is not a very important part of our program?

Mr. HAMILTON. Well, I think there are a lot of reasons why oversight is not important. That may be an important one. Oversight is tough work. It is boring.

Mr. MOAKLEY. And it is not glamorous.

Mr. HAMILTON. It doesn't get glamorous.

Mr. MOAKLEY. It doesn't get headlines.

Mr. HAMILTON. Media is not interested in it. And let us be frank, constituents aren't too interested in it either. So there are a lot of reasons why oversight has declined, and I think you have to try to resist it and to think of ways and means of improving the oversight.

I have now—I am a part of the executive branch now in the Wilson Center. Half of our budget comes from the Federal Government, and half is private, and I testified yesterday before Mr. Regula's subcommittee for our budget. That was a very routine kind of a hearing. You would be amazed how much work goes into that and how a single question from a member stimulates all kinds of reactions in the Executive branch. You may just fire the question off suddenly and not give an awful lot of thought to it. I know that is not the way you usually do it, but occasionally you do, but it is amazing what that does in the executive branch. Everybody gets shook up when they think the Congress is looking at them, and I think it is a good thing when you do look at them myself.

So I am a strong believer in the necessity of oversight. I think everybody is. Does the biennial budgeting help it or not? You can have a difference of opinion on that, but one of the things I hope, Mr. Chairman, will come out of your hearings will be the commitment on the part of this institution you have got to do a better job of oversight no matter what happens to biennial budgeting. It is an important part of your work.

Mr. MOAKLEY. Well, I think that is—as I said, the Congressional Research Service said that we spent about one-fifth of our time on budgets. I think many people think it is like 50 percent or 60 percent, but it is one-fifth. If there were some way to direct the Members into oversight, which there isn't because you have just made the case why oversight isn't that glamorous or anything else—so I am saying we may save time, but what do we do with the time? We will probably have to address more supplemental budgets because it is a biennial budget.

Mr. HAMILTON. Well, I think Members are still going to have the opportunity—are going to find ways to assert themselves, and the supplemental budget would be one if you are in a biennial cycle. But you are not going to be dealing with 13 bills in the second

year. Suppose you have two or three supplementals, which I think might be possible. That is not 13, and, therefore, you would free up some time, I believe.

Mr. MOAKLEY. Maybe we should change the committee system and have a committee on oversight, and then the chairman of oversight makes sure there will be some oversight done.

Mr. HAMILTON. Well, there have been moves in that direction, you know, to require a subcommittee in each committee to deal with oversight. There are a lot of steps that have been taken in that direction that are helpful. At the end of the day, it depends on the chairman of the committee.

Mr. MOAKLEY. I think you are right.

Mr. HAMILTON. The chairman of the committee has to say, okay, this is an important role for this committee, we are going to do it, I am going to do it, the staff is going to do it. Oversight creates a lot of work for the staff, and sometimes they resist.

Mr. MOAKLEY. Thank you. Thank you very much, Lee.

The CHAIRMAN. Let me just say in response to that exchange that Speaker Hastert at the beginning of the 106th Congress spent a great deal of time with me on the issue of oversight, and its establishment is a very high priority in this committee. And you recall we did a training session on the question of oversight, and we have in each committee, as you correctly pointed out, encouraged oversight by having a subcommittee to do that. Obviously we need to enhance that in every way we can. That is why you and I have come to the conclusion that moving toward this biennial cycle will play a role in doing that. And also, I have felt strongly that a shift from what has been sort of mixed political oversight to programmatic and policy oversight is a very important thing, and we again have, I believe, made very positive moves in that direction, but clearly more could be done.

Mr. HAMILTON. Not all oversight is good. Oversight can be done in such a way that it complicates. But generally speaking, I think Members carried it out very well. I would like to see a lot more emphasis in the training of newer Members that takes place today at the Harvard School and other places on the techniques that are available to a Member for good oversight.

Members come into this institution skilled in many things, communications; they know how to use the media. They are skillful politicians or they wouldn't been here. But I don't think they necessarily come in well-trained and well-schooled in what the techniques available to them are to conduct good oversight through, you know, reports, GAO, the Library of Congress, trips, visits. There are all kinds of techniques that are very, very important, and Members have to take advantage of them.

The CHAIRMAN. Thank you.

Mr. Linder.

Mr. LINDER. Do you think we travel too little?

Mr. HAMILTON. In general, I think I would say yes.

Mr. LINDER. And when we do, it has become a political issue, so people are reluctant to take trips, and you learn things on that trip you cannot learn anywhere else.

Mr. HAMILTON. Absolutely. I think trips both within the country—you look—you have the responsibility for budgeting these



things, and you have to remember that the executive branch always has a point of view, and it may not be your point of view, and you don't want to get yourself in a position so that you are dependent upon the executive branch for information solely, and I think trips are a very important aspect of a Member's duty.

In my own case I think I could be criticized for not taking enough trips, although that might sound a little strange to some of my constituents, but—former constituents.

But the answer to your question is they should travel, but it makes all the difference, John, on how they travel and what they do when they travel. Trips have to be well-organized, they have to be well-staffed. You have to have questions in mind that you want to pursue, and it is part of the oversight function, if it is well done.

Mr. LINDER. Should we have been surprised both in the executive branch and on the congressional side by OPEC and the sharp increase in gasoline prices? Nobody saw it, and we should have seen it. My guess is the private sector saw it coming for a long time by looking over the horizon.

Mr. HAMILTON. I don't think anybody who follows OPEC should be surprised by it, and I think my answer is we should not have been surprised by OPEC doing that at some point. The difficulty, of course, always is knowing exactly when they would do it, but anybody who follows the OPEC oil ministers knows that they are very sophisticated people, and they know exactly what they are doing.

And look at the increase of revenues created in each of these countries. These countries are now experiencing, John, 50, 60, 100 percent increase in their government revenues because of oil, and so it shouldn't surprise you that they are going to move that way.

Mr. LINDER. I do think we are so focused on the day that we didn't see next month. How much of everything you have said this morning is the changed function of Washington? When you came here, you brought your family and lived here. People do not do that very often anymore, and so half of this Congress never gets both feet out of the airplane. They have one foot on the ground and one foot on the airplane.

Mr. HAMILTON. My view, and I am sure it is a minority view today, is the Members of Congress don't spend enough time in Washington, and they don't spend enough time in doing the nitty-gritty that committee work requires them to do. And I know that kind of runs against the political trends of the day. You are right, when I came to Washington, the popular thing, the normal thing to do was move your family here. You became a resident, in effect, of Washington, and you spent most of your time here. You went back on weekends. I really followed that pattern through my career here, but it reversed, and today it is a political liability to be associated with Washington and to have your family here.

What that has done is it has put pressure on Members to spend less and less time in Washington and less and less attention, therefore, to the hard work of government, including oversight. You want to get here as late as you can, you don't want the votes until Tuesday night, you want to get out of here Thursday night, you want to be in your districts, you want to be with your family, all

of which are very understandable reasons, but there are consequences to that that I think people have to examine and look at.

Mr. LINDER. Thank you.

The CHAIRMAN. Ms. Slaughter.

Ms. SLAUGHTER. Thank you, Mr. Chairman.

Good morning, Lee. It is good to see you again, and I think you and I both spent a lot of time on how to reform the House. We couldn't decide what to do with the Chairs. We had to rotate them, too. We did away with a whole committee, a number of subcommittees. I am not sure it made a whole lot of difference, frankly. We debated whether we needed a Budget Committee or not. We were all concerned, and I still am, with the fact that we don't really have debate time. Everything is structured and timed so that even in a committee, you only have so much time to spend on a point and which may then be left somewhere. And I think all of us have had the experience that you sit in a room with people who listen to you, sort of glaze over waiting for your time to be over, not really paying attention to what it is you are saying.

The oversight that we have had, I think, in Congress for the last 2-1/2 years has mostly been the White House and one investigation after another coming to practically nothing. But my concern with the biennial budget—and I have an open mind, I really don't know whether that is best or not, I have served my 6 years on the Budget Committee—is that people I do respect here say that it would be a denigration of power from us and handing over, again, to the executive branch, who would have more to say about the second year and have more control over what we do and basically take our job away.

I was surprised at the statistic that Joe mentioned on how little time we really spend on budget. It seems to me like we spend all of it, budget and appropriations. That starts the beginning of the year, and we go through this dance of legislation, and then the turn is over. We come up to a crunch at the end.

I would be curious to know, because, as I pointed out, a lot of people that I respect a great deal believe it is not a good idea, your point of view, because I certainly respect you as well. If you could just give me a sort of concise, round-up why you think that would be a better thing for Congress.

One other reform we talked about, too, Lee, while I digress a moment, the fact that we are not in Washington enough. You remember we discussed whether we should work on a monthly basis. We looked at all the months that we worked here, and with the exception of June, we had these long holiday periods, times when we are in the District, and we were looking as to whether we ought to have a schedule which was 3 weeks working in Washington, a week in the district, and we would have a 5-day workweek here, and then we would know exactly where we were. We would know how we could schedule. We would know what we could do when we got to the district. I think it did give you more of a sense that your job was here as well as the time you spent back in the district.

I think Congressman Linder is exactly right. I am back and forth to Rochester three times a week—not that much. I can't afford it, USAir is costing too much, but it does seem to me we barely get

here, and I don't have time for my ear infection to clear up before we get back on the plane.

I guess in the 14 years I have been here, a large part of it has been how can we make this better, and we certainly do talk it to death, but we don't seem to, I don't think, arrive at very much that makes an inordinate amount of difference here in how the place is run.

Mr. HAMILTON. Several reactions. First of all, US Airways needs your business, Louise. They are having a struggle.

Ms. SLAUGHTER. My district, though, is subsidizing all the low-cost fares. We get tired of that.

Mr. HAMILTON. I saw where the Majority Leader in the Senate said the other day that two-thirds of the time of the Congress is on the budget. So he—I am sure he is speaking largely from a Senate perspective, but that is a very large amount of time.

Well, you asked me about the question of power. First of all, I think it is the right question, and I understand that reasonable people can come to different conclusions on it and in supporting biennial budgeting. In part I support it because if we seize the opportunity in the Congress, I think we would regain some power vis-a-vis the executive.

What I am impressed, Louise, about the present process is the dominance of the President in the budget process today. When a President sends up to the budget, some of these experts sitting around here will know better than I, but my guess is that a President's budget is basically 90 or 95 percent enacted every year. He has always all the chips. Moreover, when you get into the negotiation process, which creates a lot of headlines around this city every year, the President has the power because of the veto, because of the difficulty of the Congress coming together. He has the upper hand in budget negotiations, and he almost always—not always—he has to make some compromise, but he almost always gets his way.

Well, so I am impressed that the present system puts terrific power in the President, and the Congress' power is marginal. We like to talk about the power of the purse, but to be very blunt about it, the power of the Congress on the budget is marginal, in my view. Not unimportant. If you shift a billion dollars here and a billion there on a certain programs, it can be very important, but overall in the total.

There isn't anything in the biennial budget system that cedes additional power to the President. I think what you are really talking about in biennial budgeting is giving the Congress the opportunity to exercise more clout through effective oversight, through long-range thinking, than they now have. I don't think biennial budgeting is going to end congressional control, and I don't think it is going to guarantee improved oversight. I just think it gives you the opportunity, it gives you the time, and the question is how are you going to use that time? Are you going to use it effectively? And if you do use it effectively, I think you would modestly gain more power than you now have, modestly, nothing dramatic. You and I know the procedural changes, they are not going to change the world. They are going to impact on the margins.

You asked me to kind of sum up. I believe I would say under the present system you have too little oversight. I think you have too much power in the executive branch today. I think too much time of the Congress is spent on the budget. I think too many people approach policy problems here strictly as a matter of budget and not on other aspects as well. I think there is too little long-term thinking. I think the authorization committees where most of your expertise should lie have been reduced in power, and the appropriators have enormously gained power.

It is no accident that Members coming into the Congress today want to get on appropriations committee or Ways and Means. When I first came to the Congress, they wanted to get on Education and Labor because that was where the action was. So it has just shifted completely, and I don't think that is altogether healthy.

And on the scheduling, that 3-week/1-week business, I don't think I really have much of a judgment about that. I know that has been kicked around a long time. My principal point would be that I think the Congress needs to spend more time in Washington. You cannot have a hearing delving into OPEC policies and doing a serious job of it and forcing an administration to articulate their policy on OPEC if you are only here for a couple of days and you can't get your Members to focus on anything because they have got 20 meetings scheduled. And people have to understand the consequences of that kind of scheduling.

Ms. SLAUGHTER. I don't know what the answer is to that schedule. I have got six people probably waiting for me right now.

Thank you, Lee. It is good to see you.

Mr. HAMILTON. Nice to see you again, Louise.

The CHAIRMAN. We will excuse you if you would like to go.

Ms. SLAUGHTER. I will be back.

The CHAIRMAN. Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman.

A couple of things. You spent a bit of your time there on not enough time for long-term or strategic planning. I can assure you from the west coast, in my 6-hour experience of going back and forth across the country one way, I spend a lot of time in my mind strategically thinking, and you get back here and don't have time to do what you are talking about.

A couple of things I have picked up in the testimony and the remarks by witnesses and Members here is that there seems to be two major areas of concern: the role of the authorizers, which probably is, I would agree, not going to be solved by a biennial budget; but the other one is the supplemental. Mr. Obey testified earlier and at length, and as you know, Mr. Obey is one who has a great deal of affection, I guess is the proper word, for this institution, and he was suggesting that the supplemental process will be dragged out in such a way that it will slow this whole process down. My answer to that was once you get through the initial biennial budget, then you have a budget in place, and if you don't pass the supplemental, the government still runs, which I think is the positive from that standpoint.

But I would like you to elaborate more than what you did in response to Mr. Moakley's observation about the supplemental on

how you see the supplementals would work once the biennial budget is adopted.

And one other issue, too, that was brought up, because the biennial budget has every possibility of being pushed probably back into the second year, that is just being the politics of it, you kick it ahead, kick it ahead until who knows. Respond, if you would, to those observations.

Mr. HAMILTON. Well, I think Mr. Obey probably is correct when he says that there will be more pressure for some supplementals, but what would impress me is that Members are going to find a way to assert themselves, and if they feel restricted, they will take advantage of the supplemental or insist on another supplemental.

But you are talking here about a few supplementals versus 13 appropriations bills, and passing two or three supplemental bills will be time-consuming, but there are always going to be issues arising. There are emergency issues or issues that Members want to bring forward, and they are going to do it on supplemental. I think that is appropriate. I don't think there is anything wrong with that. But you would, I believe, have much less intrusion by the budget if you had biennial budgeting than if you had to pass 13 appropriations bills every year. I guess that is the principal point.

Now, if they do what you suggested and punted the budget into the next year, that would be a serious mistake, and so the Congress would have to discipline itself to get the budget done in the first year if you are going to have the advantages, if there are advantages to biennial budgeting, in the second year.

I might just take off from your question and say that I am appalled with the omnibus bills. The omnibus bills are an abomination in the process, if not in substance. And we have become—you have become, I guess I should say, now far too dependent upon the omnibus bills. They are popular because they hand a lot of power to very few Members, and I think in terms of good process they really violate every concept of good legislative process.

I used to—I know you have had the experience many times. When we would get these omnibus bills at 2 o'clock in the morning, they would be 3 or 4,000 pages long and be asking you to vote on them at 10:00 in the morning, and all you have is the raw legislative language in front of you which doesn't tell you anything about the content of the bill. And it is just an outrageous process, and I think a lot more exploration needs to be done why it is done so much in the Congress. I think I know some of them, but not all of them. It is the process. It is just outrageous.

Mr. HASTINGS. It appears to me, too, that going through this and discussing this, the issue of the other body has been brought up, and I would—in fact, you alluded to it earlier that the Senate is part of the problem. I suppose that is the wisdom of our Founding Fathers to have this conflict of the legislative branch, but ironically it appears that there seems to be more acceptance at least in the Senate than in the House for a biennial budget. That is my reading of this, and that seems to be very, very positive. Thank you very much.

The CHAIRMAN. Thank you very much, Lee. Let me just conclude with a couple of comments and then a question that I would like to raise with you.

First of all, in—I will say that I got 250 cosponsors on the legislation calling for biennial budgeting. Do you know when I obtained those cosponsorships? Often at 2 o'clock in the morning when we were sitting downstairs. So I want you to know that provided a little impetus for people to come on board. It was in the waning hours of the first session of the 106th Congress, and in the last calendar year actually over 40 percent of the roll call votes we had downstairs were on budget-related issues themselves. So we clearly have spent a great deal of time on it.

I would like to—I have been asked by the staff to go through on a question on a proposal that we had in our joint committee 7 years ago, and I would just like to go through that, and included in the recommendations was a proposal that the Budget Committee use the off-year session for long-term studies and to hold hearings and receive testimony from committees and jurisdictions regarding problem areas as the result of their oversight activities. The Budget Committee would then issue to the Speaker under this proposal by January 1 of each odd-numbered year a report identifying the key issues facing the Congress for the next biennium, and I am just wondering if you can expand on the thinking behind that proposal, if you recall it particularly, on its impact on the ability of the committees of the House to focus on long-term concerns which we have been talking about here this morning as well as the issue of programmatic oversight.

Mr. HAMILTON. I am pleased to be reminded of that recommendation, but I think the thought behind it was the same thing I was trying to express, perhaps not so well, earlier about the need to develop mechanisms to get the Congress to think long term. What prompted that recommendation was the very thing that prompted my observations here; that is, Federal Government and Congress just doesn't do enough of it. If you agree with that, most people I think do agree with it, then you ask yourself what kind of mechanisms you put into place to require it, and that is what we are trying to do with that proposal with respect to long-term studies and a report, making the committees focus on the long-term needs. I thought then and I think now that it is good for both.

Incidentally, I was glad to be reminded that I cast the deciding vote for the biennial budgeting. I am glad to be reminded of that.

The CHAIRMAN. I remember going down there through that in the brand new HC-5. We were going through that. Tom Mann spent a lot of time there, and some of the other people in the room—I remember we had a very, very interesting debate because I remember David Obey was a member of our committee then, so it was a rigorous one. Let me express again—

Mr. MOAKLEY. Mr. Chairman, before I—

The CHAIRMAN. Mr. Moakley.

Mr. MOAKLEY. I just want to put in the record the Congressional Research Service table that shows that the House only spent one-fifth of its time on all budget-related legislation. I know there has been a lot of figures thrown around.

Mr. HAMILTON. There are different ways to measure it.

Mr. MOAKLEY. Okay. I am sure there are. And also as far as you say that there wasn't enough time for appropriations bills, authorization bills, there were only three appropriation bills that took more time on the floor than the authorization bill, the foreign aid bill, out of your committee. So, I mean, we do have time to spend on authorization.

Mr. HAMILTON. We can't get them enacted into law.

Mr. MOAKLEY. That is not our fault, thank you, and it is not for lack of time. So I don't think a biennial budget is going to help that either. Do you?

Mr. HAMILTON. I think it gives you the opportunity to help it, Joe. Does it do it? Does it guarantee it? No, it doesn't.

Mr. MOAKLEY. Thank you very much.

The CHAIRMAN. Let me just say that no one here has claimed at all that going to the biennial budget in the appropriations cycle will, in fact, be a panacea to all the ailments or the kind of challenges we have here in this institution, but with so many very thoughtful people having spent so many years at this, as an alternative—and the success we have seen in States and other areas—is something worth considering.

And following Mr. Moakley's directive, I would like to say that we are going to continue to be deliberative and thoughtful and open to a wide range of views on it, and as such I would like to request of you that you be available to respond to written questions that we might be providing.

Mr. HAMILTON. Mr. Chairman, may I just say that Mr. Moakley's last point in his opening statement about a phased-in approach should be looked at very hard.

The CHAIRMAN. We discussed that at length with Jack Lew the other day in the testimony that he provided here.

So will you respond to our written questions?

Mr. HAMILTON. I would be happy to do the best I can.

The CHAIRMAN. Thank you very much. Appreciate it.

We are going to go to a panel now, which will consist of Tom Mann, the W. Averell Harriman Senior Fellow in American Governance at the Brookings Institution; Professor Phil Joyce at the George Washington University Department of Public Administration; Professor Charles Whalen of Cornell University; and Professor Roy Meyers of the University of Maryland.

So if the four of you would come forward, and we look forward to your testimony, and I will say that without objection, the prepared remarks that you have will appear in the record in their entirety, and if you would like to provide a summary for the committee, you have all witnessed this discussion we have had, when there was obviously a larger membership here, so any thoughts you have in response to the exchanges we have had would certainly be welcome, too.

It is nice to see you, Mr. Mann. Welcome to the committee. I don't know if you have been here since I have chaired the place. Have you?

Mr. MANN. One time, not enough, but happy to be back.

The CHAIRMAN. Okay. Thank you very much. Were we talking about the same thing?

Mr. MANN. No. As I recall we were talking about the ethics.

The CHAIRMAN. Oh, right, right. I remember that. Thank you very much. It is nice to see you.

**STATEMENTS OF THOMAS E. MANN, W. AVERELL HARRIMAN SENIOR FELLOW IN AMERICAN GOVERNANCE AT THE BROOKINGS INSTITUTION; PHILIP G. JOYCE, PROFESSOR, GEORGE WASHINGTON UNIVERSITY DEPARTMENT OF PUBLIC ADMINISTRATION; CHARLES J. WHALEN, PROFESSOR, CORNELL UNIVERSITY; AND ROY T. MEYERS, PROFESSOR, UNIVERSITY OF MARYLAND**

**STATEMENT OF THOMAS E. MANN**

Mr. MANN. Well, thank you, Mr. Chairman. I have had the good fortune of working with you over the years. I have enormous respect and appreciation for the seriousness with which you try to improve this institution, and also to defend it as a critical part of our constitutional system. So I want to be clear about that.

Let me tell you I feel very uncomfortable because first I testified before you, and I find myself bracketed by two former Members, Lee Hamilton and Bill Frenzel, who are some of the classiest people ever to serve you.

The CHAIRMAN. We don't want to leave out Leon Panetta.

Mr. MANN. And Leon will be here later, at least the disembodied voice of Leon.

You know, they are wise people. You are wise people. Reasonable people can disagree on this.

The CHAIRMAN. That was Jefferson's line.

Mr. MANN. Yes, and what a source. I mean, I acknowledge there are uncertain consequences to biennial budgeting that my take may be absolutely wrong and yours and others' take may be much closer to the reality, and if you go ahead with this, I urge you to do it, as you said, deliberately and in a way in which you don't freeze yourself into a process that ends up backfiring on you.

In a sense I feel like Bill Murray in *Ground Hog Day*. I wake up each day, and there I am saying, why is it that biennial budgeting isn't a good idea? Mr. Chairman, let me summarize it this way, because I listened very carefully to the last set of comments. Lee said something in passing. He said, there is always a temptation around here to find procedural solutions to substantive problems. That is because sometimes it is easier to fashion a procedural change than it is to solve a substantive problem. I would frame it slightly differently. I would say there is always a temptation, understandable one, to find apolitical solutions to political problems.

The reality is the fiscalization of policy debate in this body over the last 20 years has little to do with process and everything to do with the broader context of budgets and politics, and my—sort of my feeling is that today. And you said it yourself, it was the end of the session at 2:00 a.m. In the morning when you got all those cosponsors.

There is such frustration with the year-end train wrecks and the political gamesmanship that is going on at the end of the year on appropriations matters that you figure, well, we can have half as many if we go to a 2-year budget process. I mean, that is understandable. But you have to understand that if those train wrecks



and if that gamesmanship is being driven by broad political forces, narrow margins in the House and the Senate, divided party government, difficult decisions that have to be made, genuine differences that exist, mobilization of interest groups, if all of those things are true, you are going to find vehicles to have those fights, whether you have a 2-year budget cycle or not, and that is my concern.

One of the things that you have to be careful about is not building up public hopes that you really are going to take care of some; don't worry, we won't have these political problems anymore because we fixed it.

Now, I know you are focusing on the more traditional administrative rationale for this, and there are presumably experts—I have read some of the testimony—others who will appear, that will make a sort of strong case for it. It is a debatable proposition as to whether those very desirable outcomes, like more long-term planning and sort of freeing up time for oversight, avoiding duplication, will flow from this kind of change. For a whole host of reasons that are listed in my testimony, I am skeptical. I just—I would like to believe it would happen, but I guess I don't believe it will happen.

And in particular and you had a very interesting exchange on congressional oversight. I would say, first of all, there is some pretty good oversight that goes on on a regular basis in the Congress. You are a little too self-critical. There are pockets of the House in subcommittees of authorizing committees and on appropriating committee where Members with serious policy interests and concerns about how programs are being implemented are asking tough questions and getting good answers, and that should continue.

What it takes is either the serious interest of Members or the political motivation, and it is best if you have both, and then you really get oversight, but I don't think freeing time is really the issue. That extra time, if any is freed, and I am skeptical of that, could easily be filled with more time fund-raising or spending more time with lobbyists or doing other things. There are lots of possibilities, and Members are adults. They have to make choices about what is important to them, and you have to count on them. You do serious deliberation and oversight. Others can do it if they are willing to set that as a high priority. So that is my broader concern.

Finally, the point I would simply make is this is a case where we can really learn something from other countries. Alan Schick has really studied the experience abroad. No other major democracy has moved to a 2-year budget cycle. They all have annual appropriations, Schick reports, but all of them have figured out ways of providing a longer time horizon, of multiyear budgets, of flexibility for programs with which it will work, that are relatively noncontroversial, that have the opportunity to plan in advance. And what I would urge you to do is move into this gingerly, take some predictable noncontroversial programs, do some 2-year budgeting with them in appropriating, do some evaluations, and then see if it isn't worth expanding them from there.

Finally, one of your biggest political institutional problems is indeed the other body, working with the Senate, and it has been bi-

cameral strains that have caused more problems than annual appropriating and budgeting. And there are no procedural fixes for that, but I think you could do something about it. Thank you.

The CHAIRMAN. Thank you for offering your healthy skepticism as opposed to a corrosive cynicism.

[The prepared statement of Mr. Mann follows:]

**Statement of Testimony of Thomas E. Mann,  
W. Averell Harriman Senior Fellow in American Governance,  
The Brookings Institution(\*)**

Mr. Chairman, I appreciate the opportunity to testify before your committee this morning on "Biennial Budgeting: A Tool for Improving Government Fiscal Management and Oversight." Over the years I have had the good fortune of working with you on a number of aspects of congressional reform, and I have long admired your commitment to improving the operation and defending the institutional integrity of the House.

However, I would be less than candid if I failed to convey my disappointment with the procedural change in the budget process under consideration by this committee. I am aware that biennial budgeting has attracted broad bipartisan support from Members of Congress and from the President and his key budget officials. And I have no doubt that a wide array of outside experts will offer strong support for the argument that biennial budgeting will improve fiscal management and oversight in the federal government. Indeed, this proverbial chestnut has been pulled from the fire in so many debates on budget reform that it might make sense to give it a try for a few budget cycles and see if its reputed benefits are realized. I am sure the Republic would survive an experiment in biennial budgeting, especially if it is authorized with an explicit sunset provision.

Nonetheless, the energy being devoted to the adoption of this proposal strikes me as misplaced as that devoted in years past to the balanced budget amendment and the line-item veto. The latter two procedural reforms were touted as essential steps in shrinking huge budget deficits and restraining the growth in federal spending. Yet although the first was never enacted and the second was ruled unconstitutional, those deficits have turned into surpluses and federal spending as a share of the national economy is on a downward track. To be sure, less ambitious changes in the budget process, most importantly the discretionary spending ceilings and pay-as-you-go (PAYGO) rules included in the Budget Enforcement Act, played a constructive role in helping to implement political agreements on changes in fiscal policy. But to the extent that policy was a contributing factor to these favorable developments – and I believe the deficit reduction packages of 1990, 1993 and to a lesser extent 1997 made significant contributions – the credit should go to those who forged the difficult political agreements. Much the same will be required in the future. No procedural fix can substitute for the tough substantive policy decisions that Congress will perforce make as the baby boomer retirement moves the budget back into deficit.

Today, a prime motivation in shifting to a two-year budget and appropriations cycle is the mounting frustration over year-end appropriations train wrecks and the political gamesmanship that has become so prominent a feature of divided government. We are all learning that the politics of surplus is at least as difficult and risky as the politics of deficit. I sympathize with that frustration but I am deeply skeptical that biennial budgeting will provide any relief. Half as many formal budget and appropriations cycles may appear to reduce the opportunities for partisan and ideological conflict, but we all know how easy it is for other legislative vehicles, including supplemental appropriations and authorizing legislation, to fill the void in the off-year. If the President or Congress, the Democrats or Republicans, believe they can gain political advantage by picking a fight on the budget, they will find the means to do so, whether we have a one or two-year cycle.

If you believe that biennial budgeting will relieve these partisan and political conflicts, I believe you will be sorely disappointed. And so too will be those members of the public whose expectations are raised by the promise of this budget reform.

Of course, there is a less political, more traditional administrative rationale for biennial budgeting. The case is familiar and, at first blush, compelling. Compared with the present system driven by annual budget resolutions, appropriations, and (oftentimes) authorizations, a comprehensive biennial cycle is seen as encouraging long-term planning and evaluation over incremental budgeting; promoting greater predictability and efficiency in federal programs; eliminating excessive duplication and delay in congressional decision making; ensuring more vigorous congressional oversight of federal programs; reducing the enormous amount of busy work associated with the preparation of annual budgets in the executive branch and their review in the legislative branch; and discouraging congressional micromanagement through line items, earmarks, and other restrictions in appropriations bills.

Each of these objectives has merit, but as countless hearings and reports over the last two decades, including systematic studies of the experience with two-year budget cycles in the states,

have made clear, there is no guarantee that they would be byproducts of biennial budgeting. Indeed, many careful students of budgeting have concluded that a switch to a two-year cycle is unlikely by itself either to reduce the workload or to increase the quantity and quality of congressional oversight. For example, fiscal pressure and forecasting errors, to say nothing of the political and policy interests of Members of Congress, could easily transform off-year adjustments through supplemental appropriations into major budgeting exercises. By raising the stakes for Members in the first year, a two-year cycle could boost the amount of time spent and controversy engendered, making the timely completion of budget legislation even less likely. And the loss of annual appropriation controls might well intensify pressure for congressional micromanagement rather than replace it with careful evaluation.

There is little reason to believe that any time freed up by moving to a biennial budget cycle would be invested in more systematic and rigorous congressional oversight of federal programs. Members of Congress with serious policy interests and genuine concerns about the implementation of federal programs now have ample resources and opportunities to investigate how well those programs are operating. A good deal of this activity now occurs on authorizing and appropriations committees in spite of the relatively low level of press and public attention. Indeed, the annual appropriations process constitutes a powerful tool for Congress to examine the expenditure of public funds and get the full attention and cooperation of agency officials. But a primary motivation for conducting congressional oversight and investigation, especially in an era of divided government and sharpened partisan differences, is essentially political. The object is to embarrass one's political adversaries and to enhance one's own standing. I say this not with feigned shock that there is "politics" going on in the Congress or to imply that political motivations are inappropriate bases for stimulating congressional oversight. I simply want to remind you that insufficient time is not at the root of any inadequacies in the current pattern of oversight, and freeing up additional time for Members of Congress and their staffs (a questionable byproduct of biennial budgeting) is unlikely to alter that pattern.

In considering a change to a two-year budget cycle, it is important to distinguish the appropriations process, which every major democracy in the world continues to operate on an annual basis, from other features of the budget process. As my colleague Allen Schick, one of the leading authorities on the budget process, has noted, other countries have experimented successfully with inter-year flexibility and multi-year arrangements in which agencies are given discretion to carry funds over from one year to the next or funds sufficient to operate for several years. The lesson from other countries, Schick notes, is that it is possible to reduce the workload of annual appropriations and to lengthen the policy horizon while continuing to make appropriations every year.

We have already moved a distance away from annual budget control. Most of the budget is exempt from annual appropriations and the rest is constrained by multi-year spending caps. A large number of appropriations are made on a no-year basis, with funds available for obligation indefinitely. Most appropriations accounts are not thoroughly reviewed every year; those programs that are technically predictable and politically stable receive de facto multi-year funding. More could be done to provide greater flexibility in management through roll over authority and experiments in performance budgeting.

But there are risks associated with changing a critical process that has operated on an annual basis throughout American history. Setting economic projections 33 months instead of 21 months out will introduce even more error than now exists and invite partisan and ideological mischief. Losing one important annual capacity to adjust budget policy in response to changing economic and political circumstances, mistakes in writing laws, and agency failure to carry out legislative intent is not inconsequential. The power of Congress could be diminished in a biennial process or the workload in the off-year could grow such that the process would be biennial in name only.

I admit there are many uncertainties in forecasting how a two-year budget cycle would work and how the Congress and the executive would adapt to it. One can reasonably argue the only way to reduce those uncertainties is to try the new process and evaluate its benefits and costs in operation. However, I find the case for a biennial budget and appropriations process too weak and the risks too high to recommend such a course of action.

Instead, I suggest you invest your energies on two related steps. First, experiment with a two-year funding cycle for selected policy areas where service demands are very predictable and slowly evolving, and the programs are nonpartisan and uncontroversial (e.g. the FAA, SSA, and Public Health Service). Evaluate whether and how this change improves executive and legislative decision making. Second, explore means of improving coordination on budget matters between

the House and Senate. Inter-chamber strains in agreeing to budget resolutions and appropriations bills have complicated your work and compounded frustrations with the budget process. Dealing with this problem may well be more productive than changing to a biennial budget cycle.

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\* The views expressed here are my own and should not be ascribed to the officers, trustees or other staff members of the Brookings Institution.

The CHAIRMAN. Professor Joyce.

**STATEMENT OF PHILIP G. JOYCE**

Mr. JOYCE. Thank you, Mr. Chairman. I would like to submit my entire testimony for the record.

The CHAIRMAN. Without objection, it will be included in the record.

Mr. JOYCE. First, let me say I am very sympathetic to the frustrations that lead supporters of biennial budgeting to advance this reform. If you look at the Congress, you can hardly avoid concluding that the budget process is time-consuming, that deadlines are missed, and that—at least the kind of oversight that I think you called policy and program oversight—that there needs to be perhaps a lot more of that. I think if you defined oversight more broadly to include what I might call gotcha oversight, you might have a sort of different conclusion, but I think the kind of oversight where you look at programs from the ground up, sort of examine how they are working, I think it really would be a benefit to do more of that.

And I am also sympathetic to the plight of the executive branch, which must believe that it is engaged in nonstop budgeting as well, and some of the advantages certainly that people suggest from biennial budgeting are benefits to executive branch agencies. I think that was one of the things that led Vice President Gore's National Performance Review, at the same time that the Joint Committee recommended biennial budgeting, to make that same recommendation.

But much as I would like to, I do not necessarily conclude that biennial budgeting is the cure for these ills, and I want to expand on this by noting at least some reservations I have about what I think are the two major parts of this reform. The first is biennial budget resolutions and the second, biennial appropriations.

On budget resolutions I think the budget resolution over history has done what it was intended to do. It has allowed the Congress to compete with the President in the setting of overall fiscal policy. I think reconciliation, perhaps, has been a particularly useful part of the process because I think it can be credited for making it easier for the government to get from deficit to surplus.

But I have two reservations, even in a world where we have surpluses, about biennial budget resolutions. The first, that I think you have heard about before and I know you will be hearing about later, so I won't expand on it here, is simply the difficulty of doing longer-term budget projections. I think the CBO and OMB track records provide ample evidence of the difficulty in doing budget projections even for one fiscal year into the future.

The second is that I think a biennial budget resolution would increase the chance that policy would not only lag behind those budget projections, but also lag behind the desires of the electorate. Things can change very quickly in terms of the political situation; whether the electorate wants a tax cut or not a tax cut, et cetera. Doing the budget resolution 2 years at a time might increase the probability that you were lagging behind that judgment of the electorate.

The second part of biennial budgeting really has to do with biennial appropriations, and I think that on the congressional side the argument for biennial appropriations hinges on the possibility that less frequent budgeting will lead to more time being devoted to other matters, as you have heard, particularly oversight. When I think about this, I think the argument for increased oversight is actually easier to make in the Senate than it is in the House, and the reason for that is because in the Senate there are a lot more Senators that serve on a lot more committees. As you know, in the House, Members who serve on the Appropriations Committee by and large do not have assignments on other committees. And so I don't think it is as clear, at least at the committee level, that the time that Members are spending on appropriations is necessarily being taken away from the opportunity to do oversight.

In order for the twin benefits that are offered of less budgeting and more oversight to materialize at all, I think you have to be convinced of two things. The first is that the biennial process will not become a de facto annual process, and the second is that if the biennial process is effective, more time available will actually equate to more oversight. I am also skeptical of both of these arguments.

In the first case, I think the uncertainties associated with budgeting for a \$2 trillion enterprise would call the sustainability of a biennial appropriations process into question, and I am particularly concerned because I know this committee is worried about fiscal control. More and larger supplementals will not only eat up time, but might result in less fiscal discipline. These kinds of "must pass" supplementals have a tendency to become legislative Christmas trees, and I think we need to at least worry about that a little bit. That may be particularly true as Mr. Obey, I know, noted in the Senate, where there is not as tough a germaneness rule.

Of the other possibility, the possibility that there will be more policy and program oversight, I believe as supporters of biennial budgeting do that an increase in oversight would help the Congress to better discharge its responsibilities, particularly because of legislation like the Government Performance and Results Act, which I think is already paying dividends. I do not believe, however, that the primary impediment to better oversight is lack of time. As Mr. Hamilton pointed out, I thought very well, oversight is hard, it is not sexy, it doesn't pay a lot of electoral rewards. So I am skeptical that simply making more time available for oversight will make more oversight happen.

So in conclusion, I did want to note that in my written testimony—I won't go over these in the interest of time—I did offer some technical suggestions and raised some technical issues that I think you should think about if you want to move ahead and enact this reform. I would join Mr. Mann and others in encouraging you, however, to proceed cautiously, as you did with the Line Item Veto Act, perhaps by delaying implementation, implementing slowly or providing some sunset provision that would enable you to evaluate the full implications of this change prior to making it a permanent part of the budget process.

I thank you very much for your attention.

The CHAIRMAN. Thank you very much. We appreciate it.

[The prepared statement of Mr. Joyce follows:]



**Statement of Philip G. Joyce,  
Associate Professor of Public Administration,  
School of Business and Public Management,  
The George Washington University**

Chairman Dreier, Representative Moakley and Members of the Committee:

Good morning. I am pleased to be here today to offer my views on proposals to move the federal government from an annual to a biennial budgeting process. After discussing some of the reasons that supporters propose making this change, my testimony will make the following specific points:

- \* The budget resolution has served an important function since its creation, by allowing the Congress to compete with the President in the setting of overall fiscal policy. Converting the timetable for the resolution from annual to biennial would diminish its role, and would therefore weaken the ability of the Congress to set overall fiscal policy. A biennial budget resolution is also more likely to be based on faulty budget assumptions.
- \* Biennial budget submissions and appropriations could potentially pay dividends for executive branch agencies and free up Congressional time for other activities, particularly in the Senate. This would only be true to the extent that routine large supplemental appropriations did not become the norm. If they did, this occurrence itself could contribute to increased spending. It seems unlikely, however, that the additional time created by biennial budgeting would be used for detailed oversight of federal programs.
- \* If the Congress goes ahead with the proposal for biennial budgeting, there are certain technical aspects of the legislation that would be worth paying attention to. These, in particular, concern the timing of the activities in the biennium, such as the President's budget and various reports under the Government Performance and Results Act.

**Why Biennial Budgeting?**

As members of this committee know, the idea of moving the federal government from an annual to a biennial process is not a new one. Representative Leon Panetta (D-CA) introduced the first bill proposing such a change in 1977, and the proposal has been more or less an annual entry in the budget reform sweepstakes since then. Perhaps the high water mark for biennial budgeting was in 1993, when both the Joint Committee on the Organization of Congress (co-chaired by the Chairman of this Committee, Mr. Dreier) and Vice-President Gore's National Performance Review recommended that the federal government adopt a new biennial timetable for the process. Despite this long history of support, however, no bill to create a biennial process has ever passed either the House or Senate.

What are the arguments in favor of a biennial budget? First, proponents argue that the current annual process features repetitive votes on many fiscal issues that eat up valuable committee and floor time. For example, there may be three votes on the defense number—one associated with the budget resolution, one associated with the annual defense authorization bill, and one on the annual defense appropriations bill. Second, and related, supporters note that time spent on budgeting cannot be spent on other activities, particularly detailed oversight of federal programs. In particular, these advocates of a biennial process indicate that the need for the Congress to review agency performance under the Government Performance and Results Act necessitates that more time be spent on such detailed oversight. Third, supporters point to the dismal record of the Congress and the President in enacting appropriation bills prior to the start of the fiscal year. Finally, executive branch officials decry the time consuming nature of the annual process from their perspective. The process of developing an agency budget request, reviewing that budget by the Office of Management and Budget and the President, and justifying the budget to the Congress is continuous in an annual process.

**Should we Have Biennial Budget Resolutions?**

The budget resolution is a creation of the Congressional Budget and Impoundment Control Act of 1974. It was a specific response to a specific problem—the tendency of the Congress to deal with the budget only in a piecemeal fashion. The solution of this problem was to create a device—the budget resolution—that forced the Congress to deal with the whole budget at an early stage of the process, and forced committees to live within the overall constraints offered by the budget resolution. The budget resolution was considered to be particularly important because of the increasing percentage of the overall budget that was consumed by mandatory spending, and was thus not constrained by the annual appropriations process.

In my view, the budget resolution, judged against its original aims, must be judged as a success. The Congress does look at the total budget, and look at the future implications of federal policy, in a way that it did not prior to 1974. Further, I would credit the reconciliation process (which is inexorably related to the budget resolution) for much of the credit for promoting the legislative changes since 1990 that have brought the federal government from deficit to surplus. I say this because it is reconciliation that forced Congressional committees to make changes—often painful ones—to raise taxes and cut mandatory spending. These are changes that I believe it is likely would not have been made without such a centralizing mechanism.

My overall enthusiasm for the budget resolution, of course, does not mean that I view it as necessary that it be produced annually. In fact, the Congress has already been moving down the path of setting overall fiscal policy on a multi-year basis. The simple adoption of multi-year deficit reduction packages in 1990, 1993, 1995, and 1997 is itself an indication of fiscal policy being set on a multi-year basis.<sup>(1)</sup> In fact, it has been typical for the year following the adoption of these packages to feature a simple ratification of the previous year's path, as adopted by the previous year's budget resolution. As further evidence, for fiscal year 1999 the Congress was unable to adopt a budget resolution at all.

I used to think that biennial budget resolutions were inadvisable because they removed the possibility of using the budget process for deficit reduction, since the reconciliation process was only available to the Congress and the President every other year. This seemed an inadvisable additional hurdle to place in the way of an already difficult task. This argument is clearly not as compelling in a world where we have annual surpluses, compared to a process where there are annual deficits.

Even given this recent movement toward multi-year fiscal policy and the lack of current deficits, however, I think that there are at least two remaining compelling arguments against biennial budget resolutions:

1. The difficulty (and the CBO and OMB track records bear this out) in making projections for even one year budget resolutions should give us pause when thinking about basing fiscal policy on projections that are made even further in advance of the fiscal year(s) covered by them. Note that a two-year budget resolution adopted in April would be adopted a full 30 months before the end of the second fiscal year of the biennium. The agencies would have begun developing their budgets for that fiscal year a full 10 months earlier, or more than three years from the end of the second fiscal year of the biennium!
2. Fiscal policy should be responsive to the changing demands of the political process, which should themselves follow the changing demands of the electorate. The uncertainty in budget projections can itself lead to major changes in the resource environment facing the Congress from one year to the next. In addition, however, the expressed demands of the electorate may change from one year to the next. It seems inadvisable for the Congress to delay the enactment of the budget resolution to a point where it would lag even further behind budget projections and the desires of the electorate. I would note in particular that under most current proposals, the Congress would not be voting on budget and appropriations during election years. This seems an odd development, given that enacting the budget is arguably the most important role of a legislative body.

#### What About Biennial Appropriations and Presidential Budget Submissions?

There are real advantages, particularly to executive branch agencies, of biennial appropriations and (perhaps particularly) biennial Presidential budgets (I assume that these two reforms go hand in hand; it does not seem to make sense to have biennial budget submissions and annual appropriations, or vice-versa). In fact, the major reason for the proposal for biennial budgeting advocated by Vice-President Gore's National Performance Review in 1993 was that it would provide for more certainty for agencies in funding levels, and would not force agencies to justify their budgets as frequently before OMB and Congressional committees. Proponents of biennial budgeting justified the change by noting that most federal programs have funding that does not change substantially from year to year.

On the Congressional side, the argument for biennial appropriations hinges on the possibility that less frequent budgeting will lead to time being devoted to other matters, particularly oversight. This argument would seem to carry a lot more weight in the Senate than it does in the House. In the Senate, members frequently serve on a great many committees; it is not unusual for a particular Senator to serve on both the Appropriations Committee and one or more authorizing committees. Spending less time on appropriations could necessarily lead to more time being

available for other matters. This argument is much harder to make in the House, where members who are on the appropriations committees are, with rare exception, not on other committees. For this reason, presumably authorizing committees in the House do not find the appropriations process to be an impediment of oversight.

In order for these benefits (decreased time on budgeting, more time for oversight) to materialize at all, however, you need to be convinced that a) the biennial process will not become a de facto annual process, and b) that if the biennial process is effective, more time available will equate to more oversight. I do not find either of these arguments to be compelling. Let me consider each of them in turn:

Will the biennial process degenerate into an annual process? The uncertainties associated with budgeting for a \$2 trillion enterprise call the sustainability of a biennial appropriations process into question. Already the Congress engages in an annual process of adopting supplemental appropriations, because of the uncertainty of predicting natural disasters and the like. There were 25 separate supplemental appropriation bills between fiscal year 1990 and fiscal year 1998. This tendency will only increase with biennial budgeting, since the ability to predict future demands and funding levels will decrease.

More and larger supplementals could lead to less fiscal discipline. One of the concerns associated with the tendency toward routine, larger supplementals with a biennial process is that these supplemental bills, as "must pass" bills, have a bit of a tendency to become legislative Christmas trees. This means that a biennial process may tend not only to fail to deliver on its promise of "less" budgeting, but may tend to lead to greater levels of spending as well.

Will there be more and better oversight with biennial budgeting? What of the other purported benefit to the legislative branch—the possibility that oversight will increase? Again, this benefit would be primarily expected to occur in the Senate, where members on appropriations committees could spend their precious time on understanding programs under their authorizing jurisdictions. I believe, as supporters of biennial budgeting do, that such an increase in oversight would help the Congress to better discharge its responsibility to review programs, consistent with legislation such as the Government Performance and Results Act.

Whether an increase in oversight will actually materialize is another matter entirely. In order to believe that increased oversight will actually occur, we would have to believe that the primary impediment to its exercise is the lack of time that members have to do it. But I do not believe this to be the case, even in the Senate. I believe that, even if Members of Congress had more time to do oversight, they would not be likely to do it simply because they do not have the incentives to do so.

Understanding more about how federal programs work in great detail is neither sexy nor does it offer any specific benefits in terms of helping Members get reelected. If a Member of Congress had more time available and could choose between a) spending more time in constituent service, b) trying to secure more benefits for the home district, c) trying to raise necessary money for the next political campaign, and d) understanding in great detail how an agency such as the Coast Guard or the U.S. Mint works, I predict that most would choose any of the former three over the latter. In fact, as I have noted, House authorizing committees currently have plenty of time to do oversight. The fact that they do not tend to do very much of it should cause us to question whether they (or their Senate counterparts) will in a world where there are biennial budgets.

Finally, I think that it is important to note that biennial appropriations are not likely to be more timely than annual ones. Whatever factors have led to the tendency of the Congress to fail to adopt appropriation bills by the beginning of the fiscal year are likely to be made worse by a biennial process, since the stakes will be higher. It is likely, on the other hand, that this kind of budgetary gridlock would happen half as often. The Congress will have to decide whether it finds the prospect of worse budgetary "train wrecks" that happen half as often more appealing than the status quo.

#### Technical Considerations

If the Congress moves ahead with biennial budgeting, there are a number of specific technical questions that would have to be addressed in drafting the legislation. These would include the timing of the biennium, what to do in years after new Presidents are elected, how long funds should be made available for spending, and how to most effectively tie the biennial budget timetable into the requirements of the Government Performance and Results Act.

Timing of the Biennium. There are two options available to the Congress in the timing of

budgetary actions during the biennium. The first would be to consider budget legislation in the first session of a Congress; the second would be to consider it in the second session. The former seems to me to be the best model. That is, it seems most advisable for the first year of a new Congress to be devoted to considering the budget, and the second year to be devoted to authorizations and oversight. This means that, for example, if biennial budgeting took effect at the beginning of the 107th Congress (January 2001), the first session (2001) would be devoted to producing budget resolutions, appropriations, and other budget changes that covered fiscal years 2002 and 2003. The second session (2002) would be devoted to authorizations and oversight.

Under the alternative approach (where the biennium covered fiscal years 2003 and 2004, for example), there is a greater probability that there would be changes in the budget, since one Congress would essentially be setting budget and appropriations priorities for the next one (as you know, a new Congress is quite likely to have different budget priorities than its predecessor).

A final point on timing is that it is crucial, in my view, that the budget resolution be on the same timetable as the President's budget, so that the budget resolution can live up to its intended goal of allowing the Congress to play an important role of setting fiscal policy. If the President's budget were annual, the Congress should have an annual opportunity to respond.

What to do When New Presidents Are Elected. A down side of the above scenario is that when a new President was elected, he would have to wait almost two full years before presenting his first budget, unless he submitted a new budget soon after taking office. Currently, a "placeholder" budget is submitted by the outgoing President, and the new President submits changes to that budget around April. If the legislative activity associated with a biennium is to proceed as suggested above, it would seem prudent to codify this current practice by enacting a specific provision to permit new Presidents to submit their first budgets on or after April 1.

Availability of Funds. The Congress has two options concerning the availability of funds under biennial budgeting. It can either provide for an appropriation for two fiscal years at once, with funding being available to agencies for one year at a time, or it can provide agencies with a two-year appropriation, meaning that the money is available for two years. The first preserves more control on the part of Congress and probably the Office of Management and Budget, while the latter provides more spending flexibility for agencies. Neither is clearly superior to the other, but depends in large part on how much control the Congress wants to exercise, compared to how much flexibility it desires to provide to the agencies.

The Government Performance and Results Act. As this committee knows, the 1993 Government Performance and Results Act (GPRA) has only recently begun to pay dividends in terms of providing more information to the Congress on the performance of federal programs. The first agency performance reports are only now being released. If the Congress is going to use these performance reports as a basis for oversight in a biennial process, it might consider how the timing of these reports would best facilitate this use. For example, assuming that oversight and authorizations are occurring in the second session of a Congress, the Congress might require that performance reports be submitted in January of even-numbered years to assist oversight committees in framing their agendas.

### **Conclusion**

The goals of biennial budget are laudable ones. In fact, I am very sympathetic to all of the criticisms of the current process that lead people to support biennial budgets. The budget process is not completed in a timely fashion, it is time-consuming for everyone involved, and not enough time is spent on oversight. I do question, however, whether biennial budgeting is the solution to these problems. If the Congress intends to move forward with biennial budgeting, I would suggest proceeding with caution, as you did with the Line Item Veto Act, perhaps by providing for a sunset provision that would enable you to evaluate the full implications of a potentially radical change prior to making that change a permanent part of the budget process.

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1. In 1990, 1993 and 1997, the budget resolution led to reconciliation bills that became law. While a reconciliation bill passed both houses of the Congress in 1995, it was vetoed by the President.

The CHAIRMAN. Professor Whalen.

**STATEMENT OF CHARLES J. WHALEN**

Mr. WHALEN. Thank you, Mr. Chairman. I am pleased to be here to discuss this issue with you this morning. The starting point for my remarks is the understanding that many Members of Congress feel the current budget and appropriations process leaves both the executive and the legislative branches with inadequate time to devote to oversight, program management and evaluation, and other nonbudget matters.

An academic study published in 1989 indicates that biennial budgeting within the Defense Department did indeed allow more time for the agency to work on nonbudget matters, including planning for the future program, evaluations and problem-solving. Studies examining the State-level biennial budgeting experience also find that biennial budgeting is less costly and less time-consuming than annual budgeting, even after annual adjustments are taken into consideration.

There is no guarantee that a streamlined Federal budget process would improve government fiscal management and oversight. But we do know that the just-mentioned study of the Defense Department experience suggests there is potential for significant gains in terms of both efficiency and cost savings. State-level studies meanwhile find that biennial budgeting States give greater attention to oversight, management and planning, Connecticut's experience being a notable exception, as Representative Moakley has indicated today. Moreover in these States there is widespread belief that this heightened attention to nonbudget issues improves government performance.

While some have expressed concern that biennial budgeting will lead to increased budget requests, due to agency padding, two published studies, one issued in 1994 and another released in 1984, do not find evidence of this at the State level.

Finally, I agree with Dr. Alice Rivlin, former head of both the CBO and the OMB, who has testified in the past that minimizing unexpected changes in U.S. fiscal policy can be beneficial to States, government contractors and program recipients, indeed to nearly all individuals and organizations affected by federal policies.

Under biennial budgeting, stability and certainty would also be increased when policy changes are made, because such changes could be imposed gradually and without an automatic revisiting of those changes. Of course, some see an annual revisiting of appropriations as an essential congressional tool. While I agree that it is of value to have this annual appropriations tool, I believe annual appropriations and frustrations over the lack of time for oversight may be two sides of the same coin. If that is the case, then the ultimate question for Congress is which does it value more, the flexibility of annual appropriations or an opportunity, as has been said earlier today, for increased attention to oversight and other issues that are neglected under the current process?

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Whalen follows:]

**Statement of Charles J. Whalen,  
Professor, Cornell University**

Mr. Chairman and Members of the Committee, thank you for inviting me to contribute to your hearing on the possibility of establishing a two-year Federal budget and appropriations cycle. I have followed discussions and research on this issue for more than a decade. My remarks build on previous Senate testimony and an article written for *Policy Studies Review*.<sup>(1)</sup>

Highly divergent views have been expressed on this issue. Some argue biennial budgeting would be a "dramatic improvement in the way Congress does business" and promises a more efficient and responsive government. I hope this proves to be the case, but there is certainly no guarantee. Others warn of a "collapse" of the budget process. At worst, however, budgeting would be biennial in name only – a condition that would undoubtedly lead to the eventual return of our present system. My prior writings have suggested, primarily on the basis of state experience, that biennial budgeting could have significant benefits if adopted at the Federal level. I continue to hold that position. What follows is some of what we know about biennial budgeting, in addition to my analysis of some of the major issues.

**Streamlining the Budget Process**

There seems to be consensus in Congress that its Members suffer from what Senators Robert Byrd and Pete Domenici call "fractured attention" – an overwhelming schedule that prevents important issues from receiving sufficient consideration. Last month, for example, more than a dozen Members of Congress offered statements at a hearing regarding the budget process (February 16). Their statements suggest widespread agreement not only that budgeting consumes enormous amounts of time but also that there is insufficient time for oversight, authorization, policy reform, or even a thorough review of spending measures. Even Congressman David Obey, who is uncomfortable with the biennial budgeting idea, observes a lack of oversight and a budget process that is "a mess."<sup>(2)</sup>

Given the aforementioned problems, a central question is whether biennial budgeting would streamline the budget process – that is, would it reduce Legislative Branch and/or Executive Branch time devoted to budgeting in a two-year period? To answer this question, one would like to examine international experience. But the almost universal use of annual budgeting by other nations makes that impossible. Still, an international perspective on this issue generates two findings worth noting. One is that legislators devote considerably less time to budgeting in parliamentary democracies – interminable budgeting is largely an American phenomenon. The other finding is that annual budgeting is a product of custom and tradition, not fiscal theory.

Turning to examine the very limited Federal experience with biennial budgeting, one finds only a single academic study – on the Department of Defense's formation of a biennial budget for Fiscal Years 1988 and 1989.<sup>(3)</sup> In that article, Professor Robert J. Art of Brandeis University indicates there were various reasons for the Congress, President and Pentagon to experiment with a two-year budget. Some were attracted by the perceived opportunity to avoid spending cuts, insulate the Department from the 1988 election, and "get Congress off their backs." Others saw the biennial budget as a chance for Congress and Pentagon managers to conduct more effective program oversight, evaluation and planning.

Professor Art concludes the experiment was a "half success." He writes:

*Biennial budgeting yielded no payoff for program stability but a great deal of programmatic and policy oversight. The vagaries of deficit reduction and electoral politics subverted the former [i.e., Congress authorized only part of the two-year budget and appropriated only one year of it]; the free time provided by the off year made possible the latter.<sup>(4)</sup>*

Pentagon comptrollers, service programmers and civilian managers agreed that biennial budget preparation was beneficial. The two-year schedule reduced their problems related to overlapping budget cycles, and enabled analysis, evaluation, database updating, and planning. Services chiefs collaborated on the shared problem of pilot retention. The Navy conducted long-range studies on anti-submarine warfare, future ship operating characteristics, and naval aviation needs. Planning for withdrawal from Panama was also begun. Art reports that biennial budgeting allowed Defense Department administrators "the time to do the things they should have been doing but never could because of the rat race of annual budgeting."<sup>(5)</sup>

In short, even as a "half success," biennial budgeting at the Pentagon saved time relative to annual budgeting.

Recognizing that states provide natural "laboratories of democracy," many studies have examined state experiences in search of insights relevant to Federal biennial-budgeting discussions. There is disagreement about looking to the states for lessons on this issue. On the one hand, some observe that biennial budgeting is found primarily in small states. On the other hand, the executive director of the National Association of State Budget Officers argued in 1986 that many state budgets are "every bit as complex" as the Federal budget.(6) In my view, an examination of state experience is warranted, especially since other forms of evidence are scarce.

It is often argued that the state-level trend is toward annual budgeting. This was true from 1940 through 1986. Since 1986, however, there have been four changes – all in the direction of two-year budgeting. Table 1 identifies states that currently employ two-year budgeting. States changing their budget process since 1986 are noted along with the year of the change.

Biennial-budgeting states devote one year (or a portion thereof) to budgeting and appropriations, and the following year to oversight, planning and evaluation. In my 1996 article, "Biennial Budgeting for the Federal Government: Lessons from the States," I reviewed seven studies of state budgeting published between 1972 and 1995.(7) The studies, including examinations of states changing from one budget length to another, reveal that biennial budgeting is less time consuming and expensive than annual budgeting. In other words, even after mid-term adjustments are taken into consideration, two-year budgeting eases budgetary burdens on the legislature and public agencies. As for the possibility of a correlation between biennial budgets and increased reliance on supplemental appropriations and rescissions, evidence from older studies is mixed while the two most recent studies (published in the mid-1990s) find no correlation.

Concrete estimates of time saving are hard to find. But estimates provided by state budget officers in both the 1970s and 1990s suggest that off-year budget work is about one-third as time consuming as annual budgeting. Estimates of direct cost savings, meanwhile, range from a few thousand dollars to half the price of an annual budget.(8)

**TABLE 1**  
**Biennial Budgeting in States**

	Biennial Enactment of Two Annual Budgets	Biennial Enactment of a Two-Year Budget	Mixed Budget Cycle
Annual Legislative Session	Arizona (1999) Connecticut (1991) Hawaii Maine Nebraska (1987) Ohio Virginia Wisconsin	Indiana Minnesota New Hampshire North Carolina Washington Wyoming*  *(Wyoming's legislature meets 20 days in the non-budget year.)	Kansas Missouri (1994)  (In Kansas, 20 regulatory agencies are budgeted via two annual budgets; in Missouri, the operating budget is annual while the capital budget is biennial.)
Biennial Legislative Session	Arkansas Kentucky Montana Nevada	North Dakota Oregon Texas	
Total	12	9	2

Source: National Council of State Legislatures

### **Making Government More Effective**

Streamlining the budget process might help reduce the "fractured attention" problem mentioned earlier. But is this change likely to make the U.S. Government more effective? If the experience of the Defense Department and the states is any indication, the answer is yes.

According to the aforementioned study of the Defense Department's experiment, biennial budgeting produced better evaluation of policy execution and more effective long-range planning. The study's author adds that such results can have significant budgetary consequences, since gains in the realms of evaluation and planning can improve the future allocation of resources. Thus, the ultimate benefits of biennial budgeting are better-quality decisions and greater government efficiency.

While Professor Art does not provide an estimate for the total of potential indirect cost savings, he insists they can be sizeable -- especially as a result of lower procurement and weapons-production costs. His report suggests that biennial budgeting could help reduce the unit cost of some weapons by over 50 percent.

State-level experience, meanwhile, suggests that biennial-budgeting states give greater attention to legislative oversight, agency management, analyses of program outcomes, and long-term planning.<sup>(9)</sup> While it is too early to evaluate Arizona's recent move to a two-year budget, Governor Jane Hull's recent mid-biennium report indicates her budget office and other agencies have already devoted more time to program evaluation.<sup>(10)</sup> According to the studies of state experiences, there is widespread belief in the states that this non-budget work improves government performance.<sup>(11)</sup>

In addition to promoting increased program effectiveness, biennial budgeting at the Federal level could enable Congress to give closer scrutiny to particular outlays, especially in the difficult realm of "mandatory" spending. Two-year budgeting also permits changes to be imposed gradually -- and without an automatic annual revisiting of decisions. Although some have suggested that biennial budgeting will cause agencies to seek greater spending cushions (i.e., budget "padding"), published examinations of state budgets do not support this contention.

### **Enhancing Economic Stability**

As in the states, biennial budgeting at the Federal level would require provisions allowing for changes in response to major unanticipated developments and emergencies. But even with such provisions, state-level studies find that biennial budgets promote increased stability and certainty. This is clearly advantageous to agencies -- and compatible with the objective of enabling public managers to focus on improving program results. Yet government contractors, grantees and program recipients also benefit.

In 1997 testimony before the Senate Committee on the Budget, Dr. John McTague discussed the benefits of enhancing predictability with respect to investments in science, technology and capital-intensive projects.<sup>(12)</sup> More than a decade earlier, Dr. Alice Rivlin went further and suggested the increased continuity of biennial budgeting would benefit all Americans.<sup>(13)</sup> I agree with Dr. Rivlin that we can prevent often-costly disruptions of public and private activity by minimizing unexpected changes in tax and spending policies.

Some say biennial budgeting would seriously weaken Legislative Branch control over the budget and the Executive Branch. Others disagree by maintaining "the grounds [for this belief that control will be lost] are quite shaky" and suggesting that Congress would retain its authority by using two-year budgeting as an opportunity to intensify oversight.<sup>(14)</sup> My position falls in the middle. On the one hand, the appropriations process "provides a helpful hammer;"<sup>(15)</sup> on the other hand, annual use of that hammer seems to contribute greatly to the problem of fractured attention.<sup>(16)</sup>

### **Summary and Conclusion**

Taking the problem of fractured attention as my starting point, I have examined available Federal and state evidence and suggested that biennial budgeting would streamline the budget process, enabling both the Executive and Legislative Branches an opportunity to make government more effective. I have also argued that a two-year budget and appropriations cycle could enhance economic stability through increased policy continuity and the gradual imposition of major changes.



Biennial budgeting will not make budget decision-making easier. And its success will depend on Congress's ability to engage in vigorous agency oversight during non-budget years. But such budgeting can complement the Government Performance and Results Act and other recent initiatives that demand attention be given to measures of outputs and impacts, not just dollars spent. I hope you find this information useful as you consider the challenges of the current budget process.<sup>(17)</sup>

1. Charles J. Whalen, "Prepared Statement" before the Committee on Governmental Affairs, U.S. Senate, *S. 261 – Biennial Budgeting and Appropriations Act* (Washington, DC: U.S. Government Printing Office, 1997); and "Biennial Budgeting for the Federal Government: Lessons from the States," *Policy Studies Review* 1996 (vol. 14, nos. 3-4, pp. 303-322).

2. It should be noted that views similar to those heard on February 16, 2000 can be found in the record of numerous hearings held since the mid-1970s.

3. Robert J. Art, "The Pentagon: The Case for Biennial Budgeting," *Political Science Quarterly* 1989 (vol. 104, no. 2), pp. 193-200.

4. *Ibid.*, p. 208.

5. *Ibid.*, p. 206.

6. Gerald H. Miller, quoted in Jonathan Rauch, "Biennial Budgeting Taking Root," *National Journal*, September 27, 1986, p. 2318.

7. This article is cited in footnote 1 above.

8. New Jersey Office of Management and Budget, "Biennial Budgeting Survey," February 1995.

9. See, for example, my "Biennial Budgeting for the Federal Government: Lessons from the States," and General Accounting Office, *Current Status and Recent Trends of State Biennial and Annual Budgeting* (GAO/AFMD-87-53FS, July 1987).

10. State of Arizona, "The Executive Mid-Biennium Update: Fiscal Years 2000 and 2001," January 2000.

11. Consistent with this finding is the February 16, 2000 testimony (before the Committee on Rules, U.S. House of Representatives) of the following Members of Congress – all former legislators in biennial-budgeting states: Hon. Charlie F. Bass, Hon. Doc Hastings, Hon. Bill Luther, Hon. Karen McCarthy, and Hon. Robert W. Ney.

12. John P. McTague, "Statement" and "Written Questions and Responses," in *Concurrent Resolution on the Budget for Fiscal Year 1998* [February 13, 1997 – Biennial Budgeting]. (Washington, DC: U.S. Government Printing Office, 1997), pp. 110-114.

13. Alice M. Rivlin, quoted in *Congressional Record – Senate* (November 24, 1981), p. 28954. See also her related article: "Congress and the Budget Process," *Challenge* (March-April 1981), pp. 31-37.

14. Roy T. Meyers, "Late Appropriations and Government Shutdowns: Frequency, Causes, Consequences, and Remedies," *Public Budgeting and Finance* 1997 (vol. 17, no. 3), pp. 25-38.

15. Louis Fisher, "Biennial Budgeting in the Federal Government," *Public Budgeting and Finance* 1997 (vol. 17, no. 3), p. 90.

16. It is worth noting that agency managers also experience fractured attention under annual budgeting. In his article on the Defense Department, Art writes "The Department cannot both budget and review annually, or, if it does, . . . [it does] both poorly."

17. This statement was prepared for delivery at "Biennial Budgeting: A Tool for Improving Government Fiscal Management and Oversight," Committee on Rules, U.S. House of Representatives, March 16, 2000. The author is Senior Institute Economist, Institute for Industry Studies, Cornell University.

The CHAIRMAN. Professor Meyers.

**STATEMENT OF ROY T. MEYERS**

Mr. MEYERS. Thank you very much for the invitation. I would just like to read a few snippets of my testimony and particularly focus on the concerns that were raised during Mr. Hamilton's testimony about oversight and strategic planning.

Twelve years ago I wrote a very long paper about this topic for Senate Governmental Affairs when I was working at the Congressional Budget Office. Although I used the "on the one hand/on the other hand" typical approach of CBO, it was a pretty negative report. Twelve years later I would have to say that my thinking has evolved a bit, and I am a bit more supportive of the idea, although it still presents some problems. In fact, I would argue that a simple biennial budgeting bill is insufficiently ambitious, and I will get to some points about that in a few minutes.

The budget process has changed significantly in two ways that are relevant to this bill. First, back in the 1980s, there was still a fair amount of concern in Congress that biennial budgeting would prevent the Congress from reacting quickly to an unanticipated recession, and, of course, opponents of biennial budgeting said that was a drawback. Now, though, it would be generally held that this would be a good thing about biennial budgeting if it would deter Congress from being tempted to displace the Federal Reserve's role in reacting to a recession, for there is a lot of evidence from economists that discretionary countercyclical fiscal policy does not work. In the case of an unanticipated national security crisis, I think it is unlikely that a biennial budget would prevent the Congress from reacting, so I am not worried about that.

The second way in which budgeting has changed since the late 1980s is that throughout the 1990s, the Congress and the President engaged in negotiations that produced several significant multiyear budget agreements. I think the multiyear budget agreements have been a mixture of good and bad. They have been good because they recognize the political necessity and economic necessity for a fiscal glide path; that you couldn't balance the budget in a year. But you may remember, I would expect with negative feelings what happened in 1995 and 1996 when you were having this long debate about whether 7 years or 9 years was an appropriate period, and it turned out that both the President and Congress were wrong. Luckily, things have been much better than we expected in economic terms. However that did not guarantee the politically lasting nature of the agreement.

I think the reality here is that there is, if you will, a timing balance for our political cycle, and it is the 2-year electoral cycle for the House. Comprehensive budget agreements don't last much longer than that. Therefore, it would make sense to move from a 5 or 7 or 9-year agreement to a more natural period of 2 years.

Now, ways in which I think this bill is insufficiently ambitious. I would suggest that you need to go back to H.R. 853, and append parts of it to this bill, because I don't think biennial budgeting will work without them. I understand that H.R. 853 is a comprehensive bill, and that is a difficult bill to pass in any Congress. Neverthe-

less, one segment of it, the limitations on emergency supplementals, would be a reasonable answer to the concerns that many people have raised—that the even year would feature a Christmas tree supplemental, or an endless series of supplementals. So I would suggest that you take at least that part of H.R. 853 and append it to this.

In addition, I believe that a joint budget resolution makes a lot of sense, although I would admit that there is nothing to guarantee that a Congressman and a President could agree on a joint resolution if that was the statutory process.

But I do think it is quite unlikely that Congress could go it alone in trying to adopt a 2-year budget resolution, under the threat of Presidential blame that we have all become familiar with, when Congress already has a great deal of difficulty adopting a 1-year budget resolution.

Now, to finish up with some discussion of oversight and planning. As someone who studies the budget a great deal, I have spent a little while in the past weeks looking over the President's budget proposals. There is an interesting disjuncture between the first half of this budget and the second half. The first half of this budget might be called "1,001 policy initiatives," and the second half of the budget is a review by budget function, that is, by national defense, international relations and so on, of the performance goals that were adopted by the agencies in response to the Government Performance and Results Act. Unfortunately, there is little connection between the performance planning process and the President's budget initiatives.

I think there is a similar problem in the Congress, and it relates in particular to the committee structure that you have been discussing. In fact, I would suggest that Congress is unlikely to do more strategic planning and quality oversight unless the Congress returns to the kinds of proposals Mr. Dreier was making in 1994 and 1995 about committee organization; in fact, go far beyond those and seriously consider again the idea of combining the appropriations and authorizing committees. I know that is an issue that Tom Mann has studied in the past.

The final issue I would like to raise is what kind of incentives are necessary for Members of Congress to do better oversight. I don't think it is a problem of time. I think it is a problem of what makes the job of the Congressmen more attractive. Obviously Members of Congress need to be reelected, and they spend a great deal of time trying to gain earmarks for their districts, and from the agency perspective, particularly in the GPRA context, those kinds of earmarks are often perceived as being inefficient and ineffective. Whether that is true or not, I suppose, could be a matter of debate, as it has been a matter of debate in the Republican Presidential primary in the past few months. I happen to agree with Senator McCain's point of view, but I might be wrong.

But the reality is that if Members of Congress spend so much time trying to earmark provisions in the bill, they are obviously going to have much less time to do the kind of measured oversight and review of performance plans that GPRA intends. So "biennial budgeting or not," I think, is not the real issue. Rather, if the Congress were to increase the amount of time available for oversight,

there would, also need to be a widespread commitment within the Congress to perform the kind of oversight that the sponsors of biennial budgeting say they want.

Thank you very much.

Mr. LINDER. [Presiding.] Thank you.

[The prepared statement of Mr. Meyers follows:]

**Statement of Roy T. Meyers,  
Associate Professor,  
Department of Political Science, University of Maryland, Baltimore County**

Thank you, Mr. Chairman Dreier and members of the committee, for the invitation to testify on biennial budgeting. Twelve years ago, when I was working for the Congressional Budget Office (CBO), I wrote a long paper on this topic that was published by the Senate Governmental Affairs Committee. Discontent with the budget process was then at its peak, as was the deficit. Now, deficits are only a vanishing memory, yet complaints are still raised about the budget process. Some are as perennial as the daffodils that grace Washington this month: "the budget process is too time-consuming," "deadlines are usually missed," and "budget decisions are often repetitive."

In my opinion, such discontent is sometimes misdirected. A budget process that allocates one-fifth of the nation's gross domestic product cannot run as smoothly as the Swiss train system. That would also be undesirable, for democracies work only when elected officials argue about how government spends, taxes, and borrows. To paraphrase the wisdom of Finley Peter Dunne's fictional Mr. Dooley, "budgeting ain't beanbag." I suggest that we should celebrate that.

Yet the budget process does have serious flaws, and the Congress should consider how to improve it. Twelve years ago, my paper used the typical "on the one hand, on the other hand" approach of the CBO, but on balance it suggested that biennial budgeting had serious disadvantages. In contrast, my testimony today is somewhat more favorable, because budgeting has changed in two significant ways: there is much less interest in using the budget for discretionary macroeconomic stabilization, and multiyear budget agreements have become common practice.

#### **Responding to Unanticipated Events**

Opponents of biennial budgeting often argue that it would prevent the Congress from responding quickly to unanticipated events. Since this is implausible regarding national security crises, the typical specter is a recession hitting hard in the second-year of the biennium, with the Congress having to wait a year to respond. But think back to 1993, when the Congress rightly killed the President's so-called "economic stimulus" bill. That proposal was minuscule in amount and offset by deficit reduction proposals, poorly targeted, and timed too late in the recovery from the recession. In fact, the long record of discretionary counter-cyclical fiscal policy is dismal; economists showed long ago that relying instead on the budget's automatic stabilizers is a preferable response, and most elected officials now agree. If biennial budgeting would further deter the Congress from displacing the Federal Reserve's critical role in stabilizing the economy, this is a strong argument for its adoption.

Note in this regard that some opponents of biennial budgeting also observe that more states have switched from biennial budgeting to annual budgeting than in the reverse direction, in part to provide maximum flexibility to meet the states' balanced budget rules during a recession. From the macroeconomic perspective, however, state balanced budget rules are strongly procyclical and therefore dysfunctional for stabilization. State balanced budget rules should not serve as a model for the federal government. Nor is it likely that most Members of Congress would want to copy a typical mechanism for state fiscal flexibility—many governors have impressive powers to cut authorized spending without legislative involvement; should the President have such powers as well?

#### **Promoting A Medium-Term Perspective**

The second reason that biennial's time may have come is that the country now has enough experience with multiyear budget agreements to understand how long they should last. You may remember the harsh argument in 1995 and 1996 about whether 7 years or 9 years was the right time frame for a balanced budget agreement. In retrospect, the extraordinary economic performance of the past few years makes this dispute seem a bit overdone. Nevertheless, that many-year agreement was preferable to a one-year agreement, because it acknowledged the political need for a fiscal glide path. But now that deficits have been eliminated, a biennial period may provide even greater political realism than a many-year period. The two-year electoral cycle for the House is the timing belt for our political system; comprehensive political agreements do not usually last much longer than the next election.

Biennial agreements may also be more realistic from the economic perspective. Budget experts have long cautioned that the annual budget is myopic, so it is good that budget proposals now

project effects for five, ten or more years. However, it is clear that a desire for good budgeting is not the only cause of this practice; assuming a strong economy over a long period provides more-than-enough resources to finance many proposals. The problem is that the great sensitivity of these long-run projections to some critical assumptions is being ignored. When projections are too optimistic, the government can approve too much spending and cut taxes too much, quickly frittering away the fiscal discipline that has been purchased at high cost. Using long-run forecasts poorly may be worse than the myopia of the annual budget; biennial budgeting's implicit focus on the next two years may be more prudent than current practice.

#### The Inevitability of Late Decisions

If biennial budgeting would promote budgetary planning over the medium-term, it is still unlikely to make budgeting timely. It is human nature to postpone difficult decisions until a deadline approaches. Since a two-year budget would require more decisions than a one-year budget, biennial budgeting threatens to increase the problem of missed deadlines.

Now it is true that a single-issue bill is sometimes more difficult to pass than an omnibus bill. And it's possible to imagine that some legislators would oppose a one-year budget because their projects weren't included, but would support a two-year budget which added their projects in the second year of the biennium. The second budget year would permit the budget's managers to make commitments that are more credible than "wait until next year." However, it is doubtful that this benefit would exceed the costs of negotiating another year of budget allocations.

Expecting a biennial schedule to speed up budgeting forgets that legislatures are deliberative bodies—they usually take time to reach conclusions. You may know that a very significant percentage of health care spending occurs in the last week of a typical person's life, even if that person has had good preventative care. Similarly, legislatures make many important decisions the week before sine die—not earlier, regardless of good intentions.

#### Limits on "Emergency" Supplementals

Predicting other potential effects of biennial budgeting is more difficult. Some of the claimed effects—both positive or negative—appear overstated to me. This is because the biennial bills would make no changes to other aspects of the process, or more importantly, to critical incentives faced by Members, Senators, or the President.

The most popular approach to biennial budgeting would use odd-numbered calendar years to pass a budget resolution and appropriations bills, both of which would cover the next two fiscal years. In even-numbered calendar years, the Congress would turn to oversight, authorizations, and campaigning. However, unanticipated situations would surely require the Congress to spend part of the even-numbered calendar year adjusting some of the appropriations made in the previous year. The risk is that some would be turned into most. A nearing election day, and the desire to take popular positions just before it, would stimulate many Members and the President to propose significant budget amendments in hopes of catching the last train. Consequently, there is a very real potential for a huge supplemental that would dominate the spring and summer of the even-numbered calendar year. Therefore—and I hesitate to suggest this because of the budget process is already overburdened with rules—the committee should consider supplementing any biennial budgeting bill with the part of H.R. 853 that dealt with emergency spending.

#### A Joint Biennial Budget

Another proposal in H.R. 853—converting to a joint budget resolution—should also be considered in conjunction with biennial budgeting. The concurrent budget resolution was invented with the hope that the Congress could plan as well as enact budgets, but history has shown that planning is a more demanding task for the Congress than it is for the executive branch. Similarly, while the traditional view of appropriations bills is that they are "must-pass vehicles" which equalize the bargaining positions of the Congress and the President, I understand that many in the Congress now feel otherwise. One reason the Congress has great difficulty passing the budget resolution and the appropriations bills is that the Congress does not seek and reach an early accord with the President over the budget's general parameters. I will admit that a joint budget resolution process would not guarantee that the branches could reach such an accord, but there is little risk in trying. It may be overly ambitious for the Congress to go it alone for a two-year budget.

#### Committee Reorganization and Earmarks

A final hope for biennial budgeting is that it would enable the Congress to better design programs and oversee agency performance. These would be extremely valuable outcomes, but they will not be produced simply by reducing the time spent on budgeting. In fact, as Members of the Appropriations Committee have correctly pointed out to your committee, authorizing committees are not the only committees that oversee agencies, and appropriations bills are powerful message senders to agencies.

Members of the Rules Committee know better than anyone on Earth the institutional disadvantages of turfing between authorizing and appropriations committees and between different authorizing committees. The logical implication is that some committee overlaps should be reorganized out of existence, as Chairman Dreier has suggested in the past. A more radical approach would be to combine authorization and appropriation activities within committees specialized by functions of government. This would help the Congress link plans, performance measures, and budgets as envisioned by the Government Performance and Results Act (GPRA). It would also better connect committee allocations in the budget resolution to the resolution's consideration of priorities among budget functions. While I understand the huge political barriers in the way of this proposal, I submit that moving to a logical committee structure would more likely improve policy design and oversight than would changing the budget schedule.

Advocates of biennial budgeting often complain that excess time spent on budgeting reduces oversight activity in the Congress. While the Congress is actually the world leader in quality legislative oversight, there is no question that it can improve oversight of agency performance, and also its earlier authorization of programs. Again, GPRA provides a logical framework for increasing the clarity and consistency of agency goals, measuring how well agencies attain these goals, and connecting goals and performance to budget allocations.

Some of the biennial budgeting bills would adjust GPRA by linking two-year availability of funds to two-year performance reports. While this is a necessary condition for success, it is insufficient. At least as necessary is good faith between the branches. Over the past few years, the Congress has released some critical reports of agency plans and performance measures. In many cases, the complaints were justified. From the agency perspective, however, Congressional complaints would be more credible if the Congress spent less time stuffing appropriations and authorizing bills and reports with earmarks that are guaranteed to reduce agency effectiveness and efficiency. Members naturally want to deliver benefits to their individual districts, and to some degree, it is useful for the Congress and the country when they succeed. But if self-restraint is the only major barrier to earmarking, the practice can get out of hand. If the Congress wants to promote better program authorizations and oversight, it needs to make earmarking much more difficult. Without that easy option, more legislators will develop the expertise in programs and agencies that is essential for our democratic system to function well. A simple change to the timing of the budget process may help promote oversight, but it is more important to create the conditions under which oversight is highly valued by both Members and their constituents.

### Conclusion

In conclusion, the committee should seriously consider biennial budgeting. Multiyear budgeting can properly focus attention on the controllable medium-term, but passing a simple biennial budgeting bill will not ensure this. Any shift to biennial budgeting should be coordinated with other complementary changes to the budget process, and a modified H.R. 853 would be a good starting point for such an omnibus bill. Biennial budgeting could also better connect decisions about budget allocations to related decisions about program goals and agency performance. However, it is unlikely that biennial budgeting will have this effect unless the Congress revisits the question of whether committee jurisdictions and responsibilities should be modified.

Thank you, and I'd be glad to answer any questions you might have.

Mr. LINDER. I just have a couple of questions. I apologize for having to run out, but we have a bunch of students on the steps waiting to have a picture taken. You can't inconvenience the photographer.

You mentioned the sunset provision in your testimony. My experience with sunset provisions is that they never work. When an agency comes time to be sunsetted, you have a focused group of people directly affected who are going to overwhelm you with the yeses, but the population at large doesn't even know it is happening. You are not going to have—in terms of reauthorizing—you are not going to have any negatives. Can you tell me any place where it has worked?

Mr. JOYCE. What I was thinking about was not a sunset provision of, for example, authorizations, but a sunset provision for the biennial budgeting process itself. The idea would be that before you would decide to put what could potentially be a radical change into the permanent process, you test it. Once you have enacted a piece of legislation, it becomes harder to enact a new piece of legislation to make it go away than it would to put a sunset on it. And I was suggesting that if you want to go ahead, and there are concerns that have been raised, sunsetting might be a way of pilot-testing the idea of having biennial budgeting.

On the question of sunsets for individual programs, I cannot give you any examples where that has necessarily worked, because I think that you know at any point in time, whether a program has sunset or not, the question you have to ask is what can political forces bring to bear at the time when that program was available for sunset. This is the same way of saying, who cares about this program being continued, and whatever political forces are out there that care about it being continued are going to rise up at that particular point in time.

Mr. LINDER. When special interests find that their program is about to become sunsetted, they suddenly find all of their relatives to write. The average American doesn't have any idea what they are talking about. They don't respond. So it is always overwhelming, and the political pressures have a continuance in all that.

Mr. MANN. But in this case who are the interests affected; who are the constituents? You are absolutely right for most public programs, but here we are talking about a new procedure to use within the legislative and executive branches, and I think what we are saying is we don't know honestly what the consequences would be.

Our preference would be that if you are determined to move ahead, first you do it with some particular programs that have stability and predictability and bipartisan support and see how it works, but if you insist on going forward with the whole process, think of it as a pilot and say, you will do it for one budget cycle, two budget cycles, and then review and see whether you want to stick with that or move back. I think in that case you wouldn't have the same political dynamics of people holding onto an existing system.

Mr. LINDER. Reference was made to your comments previously about combining authorizing and appropriations committees, which my State essentially does, and I think State government is dif-



ferent than Federal Government with respect to the kinds of issues you deal with. I would like to hear your comments on that.

Mr. MANN. Yes, yes. It is one of those principles that sounds great, but when you really get down to it, it ends up being very problematic. The reality is different kind of considerations are properly brought to bear by authorizing and appropriating committees. There is a reason for them being separate entities. The problem today is that a lot of authorizers feel they have been squeezed out by the budget process, by demands from the reconciliation process, by appropriations. But the solution, I think, is not to combine, but to figure out ways of creating opportunities and room for authorizing committees to operate.

I would feel, however, that a 2-year budget cycle wouldn't have much of a bearing on that. I mean, the House's great comparative advantage is the capacity for a division of labor and specialization, and authorizers don't need to hold back in a year because there is appropriations that year. I think we need more leadership and creative efforts on the authorizing committees, not a structural combination of the two types of committees.

Mr. MEYERS. Obviously the main barriers to doing it are seniority rights on committees, and connections between individual Members and constituent groups.

Mr. LINDER. Are you hinting that maybe the asphalt interests aren't interested in the transportation bill?

Mr. MEYERS. Actually, I was going to bring up transportation in a minute.

So in that sense, I think committee reorganization is probably a theoretical issue, but I think it is one that at least this committee needs to have on its plate.

I would disagree with Tom in the following sense: I don't think the authorizing committees and appropriations committees do many different things right now. Point one, look at the annual authorization for defense and the annual appropriation for defense, and show me the differences; there aren't too many. Do the same thing for the transportation appropriations bill and what comes out of Mr. Shuster's committee. I think there a lot of parallels between the products of the two committees. Of course, there are multiyear authorizations for the different transportation modes, but the reality is that there is an annual dog fight between the two committees. I think this is by and large dysfunctional for the Congress.

If I could just make one comparison, I spent a little time in Mexico City in January working with the Chamber of Deputies down there. As you might know, Mexico is finally making a transition toward a multiparty competitive democracy, and away from a Presidential state, so that the legislature is apparently going to have a little more power in the practical sense. Although the Mexican Constitution gives the legislature the authority to pass the budget, in reality they have had no impact on it at all. They are starting from scratch, in that they do not have a stable, powerful committee structure, and to that extent it is beneficial for them to try and think about how they are going to design their committee structure and compete more effectively with the President. I think they have a better chance in the next 10 years of doing so than does the U.S.

Congress, if the Congress continues to believe that it is well-served by the existing, overly complex committee structure.

Mr. LINDER. One more question. You said this is being insufficiently bold.

Mr. MEYERS. Ambitious.

Mr. LINDER. Did I miss your recommendation on how we could be more ambitious?

Mr. MEYERS. Well, I thought reorganizing committee structures was probably overly ambitious, but I think going back to parts of H.R. 853 and trying to address some of the complaints that people have made about biennial budgeting by incorporating parts of that bill into a biennial budgeting bill would make sense. I would not suggest that you take up all of H.R. 853, for example, I think the automatic continuing resolution is a very bad idea for a variety of reasons.

Mr. LINDER. May I ask each of you to be willing to respond to written inquiries? Thank you.

Mr. LINDER. The committee is going to be in recess just long enough to vote. Please take your seat. Welcome. I will vote and be right back.

[recess.]

The CHAIRMAN. [Presiding.] Let me welcome our second panel and just say that it is a great pleasure to see our distinguished former colleague Bill Frenzel, who is with the Committee for a Responsible Federal Budget. And I had the privilege of recalling that he sent a letter to me in the mid-1980s when he and I were the only two Members of the House to vote against every single appropriation bill. I wanted to save that letter. I don't know exactly where it is, but I think I may have saved it someplace. And 7 years ago when I was proceeding with the work on the Joint Committee on the Organization of Congress, when we were working on biennial budgeting, I had the privilege of working closely with Mr. Frenzel on passage of a very important public policy question, which has been a great success. That is the North American Free Trade Agreement.

So I welcome him here; and Robert Bixby, the executive director of the Concord Coalition; and Jim Horney of the Center on Budget and Policy Priorities.

The CHAIRMAN. So, Mr. Frenzel, if you would proceed.

**STATEMENTS OF BILL FRENZEL, COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET; ROBERT L. BIXBY, EXECUTIVE DIRECTOR, CONCORD COALITION; AND JIM HORNEY, CENTER ON BUDGET AND POLICY PRIORITIES, ACCOMPANIED BY CAROL COX WAIT**

**STATEMENT OF BILL FRENZEL**

Mr. FRENZEL. Thank you very much, Mr. Chairman, Congressman Linder. I am accompanied by Carol Cox Wait, who is the director of the Committee For A Responsible Budget. I chair that committee with former Congressman Tim Penny. The committee is a bipartisan, nonprofit, educational institution that studies the Federal budget and related matters mostly focusing on process. The committee is completing a project with financial support from the

"Big-5" accounting firms, in which we have invited experts inside and outside the government to review the process with us. We are completing a report which we expect to have finished before the end of the month. We will be glad to share with the committee and with other interested people.

In a nutshell, Mr. Chairman, our committee supports biennial budgeting, but with a few caveats. The first is we support biennial budgeting along with biennial appropriations and tax cycles. We believe that biennial budgeting has to be accompanied by biennial cycles for appropriations and revenue. We would not like to see 2 years of appropriations take place in 1 year and then a repeat of appropriations in the following year. We want to be very careful about that particular point.

We also believe that it is essential that caps be put on discretionary spending, and, of course, we support caps on entitlements as well. They need to be worked into the process. The difficulty that we perceive here is that under the reconciliation process, you might not get to agreeing to caps until after the 2-year appropriations, or some of them, have been passed. If so, the caps will therefore be meaningless.

We have recommended previously to you and others that it would be a good idea to have a budget resolution that needed to be signed by the President, but we have made some suggestions in here as to how you might establish the caps before the appropriations are passed. A joint budget resolution is one of them, but we leave it up to you as to how to do it. But we are concerned that the caps have been the only effective limitation on spending, and we believe they should be part of whatever kind of a program you go for here.

We also support separate caps for defense and nondefense. We support entitlement caps, which I have mentioned, and we believe that this should be an important part of the system when you move the process to a 2-year biennial system.

Again—very simply, we support the biennial program. But we believe it must be accompanied by these other changings so that it doesn't run away with the process.

Again, we will have a full report on the budget process within a couple of weeks, and we will be glad to share it with you. We thank you for the opportunity to appear before you.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Frenzel follows:]

**Statement of The Honorable Bill Frenzel,  
Co-Chairman, Committee for a Responsible Federal Budget On Biennial Budgeting**

Chairman Dreier, Mr. Moakley, and Members of the Committee, thank you for the opportunity to testify today. The Committee for a Responsible Federal Budget, which I co-chair with Tim Penny, is a bipartisan nonprofit educational organization that focuses on the Federal Budget and related matters. We have just completed a project with financial support from the "Big-5" accounting firms, in which our group invited experts inside and outside government to review the Federal budget process. We will publish a report, based on that project and including the Committee's recommendations for budget process reform, the end of this month.

Biennial budgeting could save substantial time and resources in the executive branch and on Capitol Hill. Those resources could be redirected to help meet high priority public needs. Program managers, States and local governments and others who actually run federally funded activities would benefit from increased stability and longer time-horizons. More resources, longer planning horizons and greater stability should improve the efficiency and effectiveness of those programs and activities.

Setting aside an entire session of each Congress for authorizations and oversight should focus a spotlight on and improve the timeliness and quality of authorizing legislation, program evaluation and oversight. Better evaluation and oversight should help to weed out ineffective programs and improve effective ones. That in turn should help to focus resources on high priority programs and activities that work.

We support a biennial budget, appropriations and tax cycle. But we acknowledge that biennial budgeting will not address all the flaws in the existing budget process. And biennial budgets must be accompanied by biennial cycles for appropriations and revenue legislation. Otherwise, annual appropriations and/or tax legislation could undermine the potential benefits to be derived from the biennial budget cycle. It is more fun to spend money than to conduct real oversight or to work on authorizing legislation, so you need to guard against the propensity to pass major appropriations bills every year.

A biennial budget process therefore must contain significant impediments to passage of major expenditure legislation in the "off-years". Failure to include barriers—or including ineffective barriers—could cause you to drift back toward annual appropriations legislation. Inevitably there will be real emergencies, unforeseen and unforeseeable events, that will require supplemental appropriations. The question is, can you provide for such contingencies without their becoming magnets for government-wide spending or "Christmas trees" on which Members can hang all sorts of unrelated items?

One possible approach would be to limit off-year supplemental appropriations to funding presidential requests. Does anybody really believe any President would refuse to request any money at all to meet a real emergency? This scheme would permit congress to appropriate more or less than the presidential request—or nothing at all—but they could not add new items. Whether or not you find that acceptable, you need to address this issue or risk undermining the biennial process.

It seems clear to us that any biennial budget cycle must provide for fiscal policy legislation in odd-numbered years and authorizations and oversight in even numbered years. We understand that this is the schedule you are considering. No President—and no Congress—would wait more than a year after they were elected to make adjustments to budgets, spending and tax policies to reflect their priorities.

There is a potential clash between discretionary spending caps and biennial budgeting. Discretionary spending limits or caps have proven to be the most successful device ever enacted to constrain Federal spending. Notwithstanding the expansion of so-called "emergencies" to permit spending well above the levels of the caps, no other device ever has operated nearly as well to put a damper on the urge to spend tax dollars (and in earlier years, borrowed money).

In 1990, 1993 and 1997, discretionary caps were written into law as part of reconciliation bills. Reconciliation, almost by definition, is completed very late in the budget process. If you change to a biennial budget cycle, enacting spending caps in reconciliation bills would be like closing the barn door after the horse escaped. Most spending legislation for the biennium already would have made its way through Congress before the caps could be written into law. It seems literally

incredible to contemplate Congress making major changes to appropriations after they are reported from the Full Committee(s)—much less after they pass the House and/or Senate—to comply with caps enacted late in the congressional session. Spending limits are so important to expenditure discipline that any biennial process must include a mechanism to write caps into law before Congress begins work on regular appropriations bills.

We believe you could write new spending caps into law through a device similar to "Gephardt rule" which the House once employed to enact debt limit legislation. The Rules of the House and Senate could provide that when Congress completes action on a budget resolution—

1. A joint resolution could be deemed to have passed. The Clerk of the House or the Secretary of the Senate could be instructed to enroll the resolution and send it to the President to sign or veto.
2. The joint resolution could be confined to discretionary spending caps or it could include spending and revenue aggregates, deficit/surplus and debt levels, and direct spending targets or caps.
3. Congress could enforce limits contained in the joint resolution through points of order (requiring super-majority votes to waive, if you think that is advisable or necessary) until and unless the President signs the subject joint resolution into law.

Expanding the contents of the joint budget resolution referenced above—to include spending and revenue aggregates, entitlement targets or caps, deficit/surplus and debt levels—could for all practical purposes convert it to a joint budget resolution. The Committee for a Responsible Federal Budget believes that enactment of a joint budget resolution should be a major priority in any budget process reform effort. Clearly, therefore, we would see this as a salutary development—one that could produce additional benefits down the road.

Whether you choose this approach or some other, it is imperative for Congress and the President to agree on spending caps for the biennium early in your two-year budget cycle. Otherwise, the biennial appropriations process could undo the most important and effective fiscal discipline Congresses and Presidents yet have devised.

Having mentioned our support for a joint budget resolution let me take a minute to reference some other reforms the Committee for a Responsible Federal Budget believes to be important. We support separate caps for defense and non-defense discretionary spending. We also support entitlement cap. We believe that you should enact or affirm multi-year spending limits every time Congress passes a budget. Enacting spending caps for the "out-years", as part of each budget cycle, could provide a powerful incentive to complete work on new budgets in a timely manner. That is because passing a new budget would be the least embarrassing way for Congress and the President to amend the most recently enacted limits.

There are too many people, and too many committees and agencies, that have duplicative and overlapping responsibilities under the current budget process. The existing process is designed to reduce deficits and balance the budget. Its constraints are frustrating to many in this brave new world of budget surpluses. The Committee for a Responsible Federal Budget would be pleased, if you like, to provide the Rules Committee with our full report on budget process reform including all of our recommendations for improving the budget process.

Biennial budgeting is no panacea for all that ails the budget process, but we do believe it can produce real benefits. If the Rules Committee moves forward with biennial budgeting legislation, we would like to work with you.

As we indicate above, we are especially concerned that any biennial process include discretionary spending caps to be enacted before Congress begins work on regular appropriations bills. And the new process must include an effective mechanism to keep Congress from passing major appropriations and tax legislation every year.

Thank you for this opportunity to testify. Given my experience as Ranking Republican on the Budget Committee and Co-Chairman of the Committee for a Responsible Federal Budget, I am convinced that strong and effective budget process is essential to maintain fiscal discipline and to frame major policy issues in a broader economic and budgetary context. That is essential if you are to make sound policy decisions. Thus a strong budget process is necessary for Congress and the Federal government to function effectively.

The CHAIRMAN. Mr. Bixby.

**STATEMENT OF ROBERT L. BIXBY**

Mr. BIXBY. Thank you, Mr. Chairman and members of the committee. I am here representing the Concord Coalition, which is a nationwide, grassroots bipartisan organization dedicated to strengthening the Nation's long-term economic prospects through prudent fiscal policy.

Our organization is cochaired by former Senators Warren Rudman of New Hampshire and Sam Nunn of Georgia. They, along with our approximately 200,000 members, have been working for the past 8 years to build the grassroots constituency for policies that will encourage elected officials to make the tough choices required to balance the Federal budget, keep it balanced on a sustainable basis, and strategically deploy any budget surpluses that develop to help prepare for the fiscal, economic and demographic challenges that will occur as the population becomes sharply older in the coming decades.

I am tempted to just say that I associate myself with the remarks of Mr. Hamilton and shut up, because he said a lot of what I want to reiterate about the potential benefits of going to a biennial budgeting system. It is easy to forget that just 10 years ago the budget was mired in large and growing deficits, and the budget process was appropriately geared towards eliminating those deficits.

With the budget caps and, we would reiterate, the committee's endorsement of maintaining budget caps—with budget caps, with the pay-as-you-go limitation on mandatory spending and revenues, those budget process reforms have helped us to achieve the more favorable fiscal climate that we find ourselves in now.

The lesson to be learned from the overall success of the BEA is that budget process reform, while not everything, certainly can be an important tool in helping to achieve strategic long-term goals.

So if you look forward now and say, what is our new challenge, you see the retirement of the baby boomer generation; overall demographics as people are living longer; and the challenges ahead for Social Security, Medicare and Medicaid. It is not just entitlement programs—inevitably we are going to have spend more on those programs with the aging of the population. But it will put pressure on the discretionary side of the budget as well. It will put pressure on revenues. That means it is all the more important for you as policy-makers to make wise decisions about committing Federal resources.

The promise of biennial budgeting in that regard is that it hopefully would free up more time for you to take a more long-term view of things and not be bogged down in the annual year-to-year fights over budget resolutions and appropriations bills. While no amount of process reform can substitute for the hard policy choices you face, we do believe that moving to a biennial budget would help shift the emphasis from the immediate and often repetitious battles to the broader questions of strategic planning, oversight, and reform.

Let me make a couple of points about the process of biennial budgeting and how it fits in. First of all, if you look at it, it makes sense from the overall view of the cycles of Congress. You are on a 2-year cycle, so it makes sense to come in the first year of the 2-year cycle and adopt a budget resolution that in some ways sets out your priorities, in some ways, I guess, responds to the President's priorities. And that becomes the tool for the political statement of that Congress. And then hopefully in the second session, you could do the oversight work and make sure to monitor how your plan was working.

I would also reiterate what Mr. Frenzel said. Frankly, one of the attractions for the Concord Coalition is if you have a biennial cycle, hopefully it would lessen the opportunity for fiscal irresponsibility, we might say. I think if you try to do it 1 year—the problem with moving to a biennial cycle is, might you get involved in second-year supplementals that would be so large and cumbersome as to defeat the whole purpose. That is the downside of moving to biennial budgeting, and that would have to be addressed in some way. Some sort of procedural mechanism would have to be in place to guard against that. But hopefully in having a 2-year cycle, you would be able to spend more time on oversight.

Now, granted, as Mr. Hamilton and others have said, the work of oversight is painstaking. It is not as immediately rewarding as appropriating. And, I don't know if a lot of process reform will be guaranteed to take place or that it will be any more thorough than it is now, but I think it would provide you the opportunity for that oversight. And, frankly, you have heard from a lot of experts in the three hearings. I would like to suggest that you are the final experts as to whether or not biennial budgeting would free up more time for you. You know what your time constraints are and what your time pressures are. We can only guess. So while I am happy to say from the Concord Coalition's point of view we think it would free up more time, in the ultimate judgment, it is really yours, and if a sufficient number of Members of Congress think it would free up more time, we are prepared to take you at your word.

Let me just conclude the remarks by saying that now that the budget process need not be focused exclusively on deficit reduction, you do have a unique opportunity to do some weeding out, modernization and updating of government programs before the retirement pressures of the baby boomers hit. So we have a narrow window of opportunity here. Both the GAO and the CBO have recently reminded all of us about the—not only the fiscal pressures, but the need to do some more extensive government oversight. CBO always has their cookbook of options, which they just came out with last week, and so if biennial budgeting gives you more time to consider those long-term options, the better.

And finally, let me just reiterate that in the process, the key is making the second year work. The key is beginning to get everything done in the first year, including the reconciliation bill, all the appropriations bills, and having some sort of orderly second year corrections, review.

I don't know whether it is the President who sends up a corrections bill and the Budget Committees deals with it. I think there is an opportunity, though. I don't think biennial budgeting needs

to result in a flood of supplementals. I think there is an opportunity perhaps in conjunction with some of the other improvements in the budget process reform that were recommended in H.R. 853, which we supported, to bring the emergency spending loophole under control and to focus maybe on one big supplemental in the second year. And so it would be an orderly thing and not 13 separate minisupplementals which could easily get out of hand, and then the whole thing would not be worth doing.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Bixby follows:]



**Statement of Robert L. Bixby,  
Executive Director, The Concord Coalition**

**I. Background**

Mr. Chairman and members of the Committee, thank you for inviting me to appear today to discuss federal government biennial budgeting. I am here representing the Concord Coalition, a nationwide, grassroots bipartisan organization dedicated to strengthening the nation's long-term economic prospects through prudent fiscal policy.

Concord's co-chairs are former senators, Warren Rudman (R-NH) and Sam Nunn (D-GA). They, along with our approximately 200,000 members who hail from every state, have worked for eight years since the organization's founding by Paul Tsongas, Warren Rudman, and Peter G. Peterson in 1992 to help build a political climate that encourages elected officials to make the tough choices required to:

- \* Balance the federal budget
- \* Keep it balanced on a sustainable basis, and
- \* Strategically deploy any budget surpluses that develop to prepare for the fiscal and economic challenges that will occur as the nation's population becomes sharply older in coming decades.

Given these objectives, The Concord Coalition is greatly heartened by the dramatic improvement in the federal government's fiscal condition over the past several years. When the 1990s began the nation was mired in large and growing deficits. The budget process was primarily aimed at reining in and ultimately eliminating the deficit. The Budget Enforcement Act of 1990 established caps on discretionary spending, and a pay-as-you-go limitation on mandatory spending and revenues. By helping to constrain spending these budget enforcement mechanisms made a direct contribution to the more favorable fiscal position we now enjoy.

*The lesson to be learned from the overall success of the BEA is that budget process reform, while not everything, can be an important tool in achieving strategic long-term goals.*

Today, for the first time in a generation, the budget is in surplus. Indeed, fiscal year 1999 marked an important milestone as the budget was balanced without using the legally "off-budget" Social Security surplus--the first such "on-budget" surplus since 1960. Debt held by the public has declined for two years running, and a further reduction is expected in the current fiscal year. Not coincidentally, the 1990s was a decade of accelerating economic growth.

So why doesn't the Concord Coalition declare victory and go home? Its because our goal has never been to achieve a balanced budget for one, two, or even three years, but to help bring about fiscal policies which can be sustained over the long-term in a much changed demographic climate. In that regard, there is much work remaining to be done. Unfortunately, today's prosperity, welcomed as it is, has not repealed the coming age wave. Nor has it erased the projected growth in age-related entitlement programs such as Medicare, Social Security, and Medicaid. Nor does it signal an end to the need for fiscal discipline and careful scrutiny of the manner in which taxpayer dollars are spent.

As the General Accounting Office and the Congressional Budget Office continually remind us all, the challenges of an aging society include fiscal pressures which cannot be remedied simply by assuming that projected budget surpluses will bail us out. The inevitable growth in spending on age-related entitlement programs will put pressure on discretionary spending, revenues, and public debt. Unless we are prepared to accept a permanent level of government spending and revenues as a percentage of the economy (GDP) that we have not experienced, other than temporarily in times of war, tough choices will need to be made to avoid burgeoning public debt in the future.

Given this set of concerns, it should be readily apparent why the Concord Coalition is interested in establishing tight fiscal discipline procedures and observing them scrupulously. While no amount of process reform can substitute for the hard policy choices you face as the demographic tidal wave approaches, The Concord Coalition believes that moving the budget to a biennial cycle would help shift the emphasis from the immediate, and often repetitious, year-to-year battles over budget resolutions and appropriations bills to the broader questions of strategic planning,

oversight, and reform.

Just as the budget process was reformed to respond to the deficit challenges of the late 1980s and 1990s it is now appropriate to consider new reforms which will help you prepare for the challenges of the early 21st Century—wise management of our surpluses, a thorough examination of the role and scope of the federal government and careful scrutiny of the programs deemed worthy of a commitment of taxpayer dollars.

## **II. Biennial Budgeting Fits the Two-year Congressional Cycle**

The Concord Coalition has always favored moving to a two-year budget process. Putting the President's Budget, the Congressional Budget Resolution, appropriations and oversight on a two-year cycle that coincides with sessions of Congress makes excellent sense for a number of reasons.

To begin with, the Congressional Budget Resolution is as much a political statement as a management tool (the same is true, of course, with the President's budget.) As such, it makes sense for each 2-year Congress to adopt a single such statement, use it for guidance throughout the remainder of the session and change it only if economic or political events make it completely unworkable. Overall decisions on how much defense and non-defense spending to permit, how much entitlement expansion or reduction to permit, and how tax policy should be changed are matters that should not alter much within any given session of Congress. And, with budget deficits at least temporarily erased, there is no longer the need for an annual reconciliation bill, or for a Congressional Budget Resolution requiring it.

Indeed, from Concord's perspective, *one of the most attractive features of biennial budgeting is that it would lessen the opportunities for fiscal irresponsibility.* Some traditional opponents of biennial budgeting have contended that by moving from an annual to a biennial process, policy makers would relinquish half their opportunities to enact reconciliation bills and reduce the deficit. Now that we appear to be entering a period of budget surpluses, the reverse argument can be made in support of biennial budgeting: with a two-year process, policy makers will have only half as many opportunities to reduce the surplus. That's desirable.

## **III. Biennial Budgeting Fits the Demand for Improved Oversight**

Another advantage of biennial budgeting is that it would enhance the opportunities for congressional oversight. Congress functions in a biennial mode, and conforming the budget cycle to the congressional rhythm is a sensible change that could replace wheel spinning with productive work, including more attention to oversight. Ideally, the first session of each Congress would be spent on setting priorities and establishing funding levels, and the second session would be devoted to long-term planning and oversight.

Granted, the work of oversight is a more painstaking, and perhaps not as immediately rewarding, task than appropriating. And, as many of your prior witnesses have noted, moving to a biennial cycle would not *guarantee* that time would be made available for oversight or that oversight would be any more thorough than it is now.

But perfection should not be made the enemy of the good. *The key question in this regard is whether biennial budgeting, if successfully implemented, would improve the current situation.* Perhaps one of the strongest arguments in favor of biennial budgeting is that so many members of Congress have come to believe that the annual, repetitive, tussle over the budget makes it impossible to engage in any meaningful oversight. Evidence in support of this perception is the fact that according to CBO some \$121 billion worth of FY2000 appropriations were made for programs and activities with expired authorizations.

In the final analysis, *you are the experts* on whether biennial budgeting will free up a meaningful amount of your time. If in your experience you believe that biennial budgeting will give you more time for oversight and planning, then The Concord Coalition is prepared to take you at your word.

It is also important to note that the potential benefits of biennial budgeting are not limited to congressional oversight. A two-year cycle would improve the efficiency and efficacy of both the Executive and Legislative Branches. Too much time is consumed needlessly in repetitious budget preparation, justification, and appropriation. This energy could be more usefully put to work on improving government performance.

Another relevant consideration, involving both the congressional and executive branches, is how you can best make use of the Government Performance and Results Act of 1993. You will now be receiving a wealth of material to absorb in monitoring the performance of government agencies. Adequate time must be made available to properly integrate the GPRA results into your decision making. In that regard, biennial budgeting makes great sense. It would be far better to free up time to absorb the new information provided under GPRA than to continue the amount of time and energy that now goes into repetitiously renewing or disputing budgetary "decisions" that often have been made "final" only a few months earlier.

#### **IV. Biennial Budgeting Will Help in "Reinventing" Government**

Now that the budget process need not be focused exclusively on deficit reduction, you have a window of opportunity to do some weeding out, modernizing, and updating of government programs before the demographic and fiscal pressures of the baby boomers' retirement hit. If there was ever a time to "reinvent" government, now is it. In Concord's 1993 *Zero Deficit Plan* we suggested that you look to eliminate:

- \* Programs that are no longer needed
- \* Programs that don't work or are inefficient
- \* Programs we can no longer afford
- \* Subsidies to narrow interests

The Comptroller General recently gave the Congressional Budget Committees a similar list of suggestions. And, last week the Congressional Budget Office released its annual Budget Options book containing some 250 spending and revenue options. In short, there is a general recognition that simply achieving a "zero deficit" does not mean that there is no further need for fiscal discipline. It does not mean that we should continue to fund programs that are no longer needed, or that are inefficiently run, or that return little public benefit for the amount of dollars committed to them, or that provide subsidies to narrow interest.

If biennial budgeting results in Congress having more time to engage in oversight, then American people should expect to see a more productive government in which performance counts, and programs are not simply continued from year-to-year simply because no one has the time to ask whether or not they are still needed.

While I have no polling data to back this up, I firmly believe that the American people would support your moving to a biennial cycle. Doing so would send a powerful signal to your constituents that you are at least as interested in monitoring and, if necessary, reforming the way in which taxpayers dollars are spent as you are in simply determining how much is spent.

#### **V. Continuation of a Lengthening Cycle**

Moving to a biennial budgeting process would constitute a continuation of the gradual lengthening of the budget cycle that has occurred since adoption of the Congressional Budget process in 1974. When the Congressional budget process was launched in calendar 1975, the process began with two budget resolutions for fiscal 1976. By the next cycle, there were three budget resolutions for fiscal year 1977, enacted on April 29, 1976, September 9, 1976, and March 2, 1977.

For the remainder of the first decade of the Congressional budget process, there were two budget resolutions annually, plus a formal revision of the second budget resolution in the following year. By 1982, the second budget resolution was settling into a pro forma exercise that essentially reaffirmed the figures contained in the first resolution. However, not until Gramm-Rudman was enacted in 1985 was the requirement for a second budget resolution abolished. In some ways 1998 marked a new, though unintentional, point on this continuum when Congress was unable to agree on any budget resolution at all. Without the discipline provided by a budget resolution, the end-game antics during the pre-election closing weeks of the 105th Congress became needlessly expensive. Certainly it is possible to improve on this first unsatisfactory experience with a two-year budget cycle.

Formally converting the annual appropriations process to a two-year cycle would be a significant change, but perhaps not as large as it might seem. Some two-thirds of the budget accounts on the annual appropriations cycle already provide multiple-year or no-year funding. Advance appropriations are already made for programs, such as education, where there is a clear need to have funds immediately available at the beginning of the fiscal year. The Department of Defense already submits a two-year budget, though Congress has yet to authorize or appropriate for

defense on a two-year basis.

#### **VI. Biennial Budgeting Would Not Be a Fiscal Straightjacket**

In considering biennial budgeting, it is fair to ask whether the priorities established in the first year would hold up for two years? And if adjustments were required, how would Congress respond?

On the first question, there is little reason why priorities established at the beginning of each two-year Congress ought not to provide a workable guide for a two-year period, particularly during the current era of extraordinary peacetime prosperity. While there is always uncertainty in budgetary forecasts, the greatest danger in this regard is in using long-range surplus projections to "pay for" entitlement expansions, or revenue reductions. The existence and size of any such surpluses is far too speculative to serve as a reliable source of financing for new permanent commitments. This danger exists whether we stay with an annual budget cycle or move to a biennial one.

On the discretionary side of the budget, a biennial process would create the need for a mid-session "corrections" bill. But the usual fiscal ups and downs on a year-to-year basis should not be so great as to necessitate major changes. A larger surplus than expected could always be used to reduce the debt, or released for high priority items. A larger deficit than expected could be addressed through rescissions, or if necessary, be absorbed until the next Session.

Should there be substantial and unanticipated changes in the economy, alarming international developments or extraordinarily severe natural disasters, Congress and the White House would unquestionably respond. The point is that moving the discretionary budget to a biennial cycle would not be tantamount to putting the government on autopilot.

#### **VII. Biennial Budgeting Does Not Mean Runaway Supplemental Spending**

Moving to a biennial system would mean that some regular mechanism for considering mid-course corrections would need to be established. The machinery for supplementals and rescissions is well developed. The chief challenge therefore would be not whether there could be a timely and appropriate response to new priorities during the two-year period, but rather how to hold to a minimum the number of such extraordinary responses and their dollar level. If "urgent" supplementals for routine and unnecessary increases are permitted to become the commonplace rule rather than the rare exception, the rationale for moving to a two-year budgeting cycle will have been defeated.

Moreover, if you decide to move to a two-year budget cycle, the likelihood will increase that necessary, sudden, urgent, unforeseen and temporary needs will arise after the budget plan has been adopted (i.e., emergency spending). It is even more likely that merely desirable, helpful, useful or popular needs for additional spending will increase, particularly as election day nears. The record of the past two years has been dismal in this regard. A legitimate safety valve in the budget process was widened into a huge loophole through which Congress and the White House jointly enabled each other to permit more than \$30 billion to leak away each year. In fact, the fiscal year 2000 leakage is still an ongoing proposition.

A key element of any transition to biennial budgeting would, therefore, be establishing a way to ensure, or at least protect, against the danger of "death-by-supplementals." It should be made clear that the method of adjusting second-year spending levels would be through one mid-session correction bill, rather than through an ad hoc series of smaller, less scrutinized bills. Bipartisan cooperation at the leadership level (including the Administration) would be required to keep the supplemental process from deteriorating.

While there is always a danger that second year supplementals would get out of hand in a biennial cycle, this need not happen if:

- \* Realistic discretionary spending assumptions are used in the Congressional Budget resolution
- \* Rosy economic assumptions are avoided, and
- \* A regular mechanism is put in place to consider the second session update.

These elements would help prevent an avalanche of supplementals; something Concord believes should clearly be avoided.

### **VIII. Planning for Emergencies**

The Concord Coalition also agrees with Speaker Hastert and others who have argued that biennial budgeting would encourage Congress and the President to plan ahead for emergencies. Concord favors enacting appropriations in the regular appropriations bills for the principal emergency relief programs at their long-term average levels. Natural disasters-floods, droughts, fires, hurricanes, tornadoes, and earthquakes-occur with dismaying regularity. Expenditures in response to these occurrences tend to fall within a predictable range. To budget in anticipation that there will be no disasters is disingenuous.

Others have suggested that a reserve fund be set aside within the annual discretionary caps at amounts equal to the five-year rolling average. This would provide budgetary resources within the discretionary caps in advance of emergency needs and would eliminate the need for most supplemental emergency appropriations. At issue would be how funds would be released from the reserve, under what circumstances, and what to do with unused funds at the end of the fiscal year. If such an advance funding reserve were created, Concord would oppose establishing it as a trust fund or investing reserves in government interest-bearing debt. Instead, we would prefer to see it function as a score-keeping entry in which credit for unused funds could be rolled into future years for possible appropriation should the need arise.

One potential partial solution would be to withhold allocation to the Appropriations Committee of a small portion of the two-year total until the second year. This specific "pot" of set-aside funds could function as a safety valve to accommodate new, unexpected needs that, while useful and beneficial, do not constitute true emergencies.

Mr. Chairman, it is clear that no amount of process reform will cure all of the perceived problems with the current system. But the fact that perfection will not be achieved should not deter you from trying to reform the system in a positive way that is responsive to the challenges ahead, and that addresses the frustrations so many of you have expressed with the current system.

The CHAIRMAN. Mr. Horney.

**STATEMENT OF JIM HORNEY**

Mr. HORNEY. Thank you, Mr. Chairman, Mr. Linder. I appreciate the opportunity to testify before the committee today. The Center on Budget and Policy Priorities is a nonprofit policy institute that works on an array of policy issues with particular interest in matters of fiscal policy, and policy impacts on low and moderate income families. Along with my written statement, I would like to submit for the record a paper on biennial budgeting, written by Bob Greenstein, the Executive Director of the Center.

The CHAIRMAN. Without objection it will be included in the record.

[The information follows:]

## **BIENNIAL BUDGETING: DO THE DRAWBACKS OUTWEIGH THE ADVANTAGES?**

by Robert Greenstein

Various proposals before Congress would move the federal budget from an annual to a biennial cycle. For example, Senator Pete Domenici has introduced legislation to institute this change (S. 92), which has been reported by the Senate Governmental Affairs Committee and is likely to be considered by the Senate in the next few months. Proponents of biennial budgeting present it as a reform that will lead to more thoughtful and deliberative budgeting and allow more time for Congressional oversight.

Biennial budgeting is likely to have many effects, however, not all of which are positive. Many budget experts believe, in fact, that the disadvantages of biennial budgeting outweigh the advantages and make it an unwise course to pursue. The General Accounting Office, among others, has expressed reservations about moving from annual to biennial appropriation bills.<sup>(1)</sup>

It also may be noted that the majority of states, including nearly all large states, use annual rather than biennial budgeting, and that about half the states have abandoned biennial budgeting in recent decades because of problems it was causing. The GAO has reported that the number of states that moved from biennial to annual budgeting over the past 30 years is nearly four times the number that moved from annual to biennial budgeting. The experience of large states is essentially one of having tried biennial budgeting and discarded it.

This analysis examines the limitations of biennial budgeting.

### **Budgeting Too Far in Advance**

Biennial budgeting involves working on budgets very far in advance. Agencies would begin to put together budgets for the second year of a two-year cycle at least 28 months before the year would start and 40 months before the year ends. Federal agencies typically begin working no later than June on the budget the President submits the following January or February for the fiscal year that will commence the following October. Under biennial budgeting, agencies would begin working in June on a two-year budget, the second year of which would not commence for 2 1/3 years.

Similarly, OMB and the White House usually make the key decisions on the President's budget in November and December. These decisions would come 22 to 23 months before the beginning — and 34 to 35 months before the end — of the second year of a biennial cycle.

Such long lead times would result in decisions that become outdated. During the intervening period, there would inevitably be findings concerning the effectiveness of various programs and changes needed in those programs from GAO reports, Inspector Generals' reports, and research studies. Under biennial budgeting, a year may be lost before these findings and developments can be reflected in budget decisions.

Substantial changes in economic conditions also can occur in the intervening period. Biennial budgeting would make it harder for the federal government to respond expeditiously to changes in such conditions. Because decisions relating to the second year of the two-year cycle would be made so far in advance, it would be more difficult for the government to use fiscal policy to help stabilize the U.S. economy when the economy weakened unless significant changes were made during the second year of a biennial budget cycle.

Biennial budgeting also would make it more difficult for the President and Congress to respond promptly to other types of problems as they arise. Problems such as an unexpected increase in AIDS cases or in the incidence of another disease, or a rise in drug trafficking, could arise and necessitate a response. So could international developments that bear on the nation's military or foreign aid posture.

If a need for resources in a particular area unexpectedly emerged, finding the funds to meet the need would be more difficult under a biennial budgeting regimen. Securing the needed funds could entail rescinding funds appropriated for other programs for the second year of a two-year cycle, something that generally is difficult to do. By contrast, under annual budgeting, no appropriations decisions would yet have been made for the second year. It always is easier to shift funds *before* appropriations bills are enacted than afterward. As a result, the need for supplemental appropriations that are in addition to other funding would likely increase under biennial budgeting.

### **Biennial Budgeting May Protect the Status Quo**

Biennial budgeting also may hinder broader effects to reorder federal budget priorities. Securing shifts in priorities often involves challenging the status quo and taking on strong constituencies that protect various lower-priority discretionary programs. Because of resistance to such shifts in priorities, funding shifts tend to occur incrementally; each year, appropriation levels for lower-priority programs can be nudged down somewhat, while important new initiatives can be ratcheted up somewhat. If appropriations decisions are made only once every two years, however, the process of reordering budget priorities may proceed more slowly. Lower-priority programs are likely to be reduced at slower rates, because appropriators and Congress at large tend not to take big bites out of existing programs at one time. While biennial budgeting represents change in the budget process, it can serve to reduce the degree of change in budget decisions.

#### GAO Warnings about Biennial Budgeting

"I am pleased to present our testimony on proposals to change the budget process from an annual to a biennial cycle. This change has often been suggested as a way to streamline the budget process, provide more focused time for congressional oversight of programs and, by providing funding for a longer period of time, enhance agencies' ability to manage their operations. While these are laudable goals, shifting the entire annual budget cycle to a biennial one is not necessary to achieve these ends....

"Advocates of biennial budgeting often point to the experience of individual states. In looking to the states it is necessary to disaggregate them into several categories. First, 8 states have biennial legislative cycles and hence necessarily have biennial budget cycles. Second...the 42 states with annual legislative cycles present a mixed picture in terms of budget cycles: 27 describe their budget cycles as annual, 12 describe their budget cycles as biennial and 3 describe their budget cycles as mixed.

"...the state experience may offer some insights for your deliberations. Perhaps significant is the fact that most states that describe their budget cycles as biennial or mixed are small and medium sized. Of the 10 largest states in terms of general fund expenditures, Ohio is the only one with an annual legislative cycle and a biennial budget....

"We have previously reported that if the Congress decides to implement a 2-year budget at the appropriation level, it should proceed cautiously by testing it on a limited basis....

"While budgeting always involves forecasting, which itself is uncertain, the longer the period of the forecast, the greater the uncertainty. Increased difficulty in forecasting was one of the primary reasons states gave for shifting from biennial to annual cycles. Dramatic changes in program design or agency structure, such as those the Congress is considering in many areas, will make budget forecasting more difficult. Moving from an annual to a biennial appropriations cycle at the same time may not be wise, given that there may be program changes which could in turn create the need for major budgeting changes in the second year of a biennium. If this happens, biennial budgeting would exist only in theory."

- from "Issues in Biennial Budget Proposals," Testimony of Susan J. Irving, Associate Director for Budget Issues, Accounting and Information Management Division, General Accounting Office, before the Senate Committee on Governmental Affairs, July 24, 1996.

#### Biennial Budgets Will Have to Be Revised Frequently

As these observations about changes in needs over a two-year cycle suggest, biennial budgeting is not likely to work in the real world in the way it appears on paper. The pressures to revise the budget during the two-year period will be strong, likely leading to frequent budget revisions and supplemental bills on a much larger scale than in the past.

Budget revisions and supplementals often involve less-rigorous Congressional analysis of larger budget matters than does the regular budget process. The revisions that will occur under a biennial budgeting process may, in the end, result in nearly as much budgeting activity as under the current annual budget process, but with much of the budget revision activity being conducted on an ad hoc basis rather than as part of the more comprehensive examination of budget priorities the regular budget process provides.

#### Will Biennial Budgeting Improve Congressional Operations?

One argument made on behalf of biennial budgeting is that it will improve Congressional operations, giving Congress more time for oversight. This argument appears to be overstated. What is traditionally thought of as oversight is done primarily by authorizing committees, which do not operate on an annual budget cycle. Switching from annual to biennial budgeting is unlikely to have a major effect on the amount of time authorizing committees have to evaluate programs



over which they exercise jurisdiction.

Furthermore, a significant amount of oversight is conducted by the appropriations committees in the course of reviewing agency budget requests each year. By limiting this review of agency budgets to every other year, biennial appropriations could actually reduce the amount of oversight Congress conducts even if authorizing committees increased their efforts in this area. As then CBO Director June O'Neill testified in 1997, "further Congressional oversight that is divorced from the purse strings may be less effective than oversight conducted through annual appropriations hearings linked to agency funding requests."<sup>(2)</sup>

In addition, the General Accounting Office has noted: "We have long advocated regular and rigorous Congressional oversight of federal programs....However, it is not necessary to change the budget and appropriations cycle to have effective Congressional oversight."<sup>(3)</sup>

#### **Limits on Discretionary Spending Heighten the Need for Annual Appropriations**

Whether Congress establishes new statutory caps on discretionary spending or sets discretionary spending limits through the Congressional budget resolution process, limits on discretionary spending are likely to remain rather constraining. Finding even modest funding for promising initiatives is likely to remain difficult.

One way appropriators attempt to find resources to fund priority items is by closely scrutinizing the budgetary needs of each program on an annual basis. Occasionally, certain programs turn out not to need as much as they normally receive on an annual basis because of particular circumstances in a program in a given year. This can free up monies for other programs. For example, suppose a large transportation project that received funds last year has experienced delays in getting started. Last year's appropriation may not yet have been fully spent, resulting in extra funds being available to the project this year. Appropriators might decide to provide the project with a little less new funding this year, enabling themselves to shift some funding to another program or project with a temporary but pressing need, such as addressing Y2K computer problems.

The ability to find money in one program to shift to another program with a greater need is dependent to some degree upon appropriators' being able to conduct a detailed annual assessment of programmatic spending and needs. This would be less likely to occur under biennial budgeting. Using the example outlined in the previous paragraph, if extra money turned up in a transportation project during a biennial budget cycle, there would be much less opportunity to shift these funds to a program with a more pressing need.

#### **Will Biennial Budgeting Improve Program Planning?**

Another argument sometimes made for biennial budgeting is that it will provide greater certainty for, and thus better planning by, federal agencies and state and local governments. Many of the programs for which certainty and advance planning are most important, however — such as most education programs — already are "forward-funded" (that is, funded a year in advance). Forward-funding does provide for more certainty and advance planning, but if it is desirable to expand the list of forward-funded programs, that can be done without moving the entire federal budget to biennial budgeting.

#### **State Actions to Drop Biennial Budgeting**

States often are referred to as "laboratories of democracy" and their experiences are studied for clues to improving federal government performance. Yet states have a clear pattern of abandoning biennial budgeting and moving to annual budgeting, rather than moving in the other direction.

As Lawton Chiles observed a decade ago, some 44 states used biennial budgeting in 1940, but fewer than half that number do now. Most of the states still using biennial budgeting are small or medium-sized states.

The experience of the larger states is essentially one of having tried biennial budgeting and dropped it in favor of annual budgeting. The GAO has reported that over the past three decades, the number of states that have moved from biennial to annual budgeting is nearly four times the number that have moved from annual to biennial budgets. The GAO has written that according to officials in states that changed to annual budgeting, "reasons for doing so included gaining greater accuracy in estimating revenues and financial needs, improving legislative control over budgetary matters, and being better able to respond to rapid changes in revenues and program needs."<sup>(4)</sup>

There may be a lesson here. If biennial budgeting was tried and found wanting by large state governments given the responsibilities they shoulder, is it likely to prove appropriate for an entity with the far more extensive domestic and international responsibilities of the U.S. government?

In short, the disadvantages of biennial budgeting are likely to outweigh the advantages. The apparent drawbacks are sufficiently serious that if federal policymakers wish to pursue biennial budgeting, the procedure should first be tested on an experimental basis with a limited number of budget accounts, as the GAO has suggested. (See box on page 3.) Another possibility worth exploring may be to institute biennial budget resolutions but maintain annual appropriations; if new, realistic discretionary spending caps are established several years in advance, biennial budget resolutions may be a possibility. A decision to switch the entire federal government to both biennial budget resolutions and biennial appropriations bills, however, is premature. It would appear to be unwise to adopt such a proposal until it has been demonstrated that the serious questions surrounding biennial budgeting can be satisfactorily addressed.

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1. See "Issues in Biennial Budget Proposals," Testimony of Susan J. Irving before the Senate Committee on Governmental Affairs, GAO, July 24, 1996.
  2. Statement of CBO Director June E. O'Neill on S.261, The Biennial Budgeting and Appropriations Act, submitted to the Senate Committee on Governmental Affairs, April 23, 1997.
  3. Ibid.
  4. See "Biennial Budgeting for the Federal Government," Testimony of Susan J. Irving, GAO, before the Senate Committee on Rules and Administration, April 28, 1994.

Mr. HORNEY. That paper is a slight revision of the paper that was published last March before I joined the Center. I am in complete agreement with all the points in it, including its conclusion that on balance, the disadvantages of biennial budgeting are likely to outweigh the advantages, but rather than go through the various arguments made in that paper, many of which have been addressed by other people testifying here today and in your previous hearings, I want to focus on one particular issue of biennial budgeting that I am particularly familiar with. That is the likelihood that the budget projections will change dramatically from the time that Congress begins considering a 2-year budget and the time that the second year of that cycle is actually completed.

For more than 7 years before I joined the Center staff last July I worked at the Congressional Budget Office. At CBO I was in charge of the unit with responsibility for coordinating the baseline budget projections. In that position I could hardly fail to be struck by how dramatically those projections changed from time to time. I was responsible every 6 months or so for trying to explain why the projections of the deficit or surplus had changed substantially in just a few months. I firmly believe that those changes occurred not because CBO wasn't doing its job properly, but instead because that the Federal budget and the United States economy is so large and so complicated and so dynamic that no person or organization will ever be able to project outcomes with any degree of certainty. The very best estimates are going to be off.

For example, since last March CBO has increased the estimate of surplus for fiscal Year 2000 by \$84 billion. It has increased the estimate of the surplus for 2001 by \$105 billion. And lest you think that based on the record of the last few years that budget projections always get better, as recently as the early nineties we had a long period where the projections continuously were getting worse. For instance, from March 1990 to March 1991 CBO increased its projection of the deficit for fiscal year 1991 by \$181 billion and its projection of the deficit for the following year by \$238 billion.

Unfortunately such large changes are not unique. CBO had a very interesting chapter in the economic and budget outlook they published just this last January in which, among other things, they analyzed the record of the budget projections over the last 14 years. Basically they took the difference between the projected deficits and the actual outcomes for 1986 through fiscal year 1999 and took the average of the errors, absolute average of the errors, meaning they didn't take into account whether the estimate was too high or too low because they would average out and they would not be terribly far off. Based on that, looking at the absolute average, the average absolute error over that period for projections of the deficit for the budget year, that is the year that starts on October first and the year the projections were actually made, the average error equaled 1.1 percent of GDP. Based on their current economic forecast, the average error for 2001 would be \$112 billion.

For the second year—the first outyear, the year after the budget year—the error is even larger. It is equal to 1.6 percent of GDP, again based on the current estimate that is \$170 billion.

So that means that if CBO's current projection for surplus for fiscal year 2002 is as accurate as projections have been on average for the last 14 years, you should expect that the surplus will be either \$170 billion higher or \$170 billion lower than the \$212 billion that CBO has projected for 2002.

This is not intended as a criticism of CBO, particularly since I was at least partially responsible for some of those projections that turned out so wrong. It is simply to indicate that projecting budget outcomes is incredibly uncertain. The best estimates are going to be off by many billions of dollars.

Congress cannot do anything about the uncertainty of the budget estimates but it can decide in structuring a budget process how to deal with that uncertainty, and I think it is reasonable to ask whether locking in a budget plan for 2 years is the appropriate response in the face of such uncertainty.

Members of Congress often argue that the Federal Government should be run more like a business. Businesses today I think you could argue are facing more uncertainty than they ever have. Who, for instance, could have imagined just a few years ago the challenges and the opportunities that the Internet is presenting for today's businesses. But how are businesses responding to this increase in uncertainty? They are responding by becoming more flexible and responding more rapidly to changes in their environment, not by locking themselves into a plan rigidly and not changing that when they need to.

Can you imagine a CEO today going to his stockholders and saying in the face of the dynamic economy that we are facing right now, "I think the best thing to do for this company is to lock us into a business plan for 2 years, spend a year trying to decide whether that business plan is working and only then consider significant revisions to that budget plan?"

I think there are good reasons why Congress shouldn't update the Federal budget as often as many businesses update their business plans, but I think it is hard for me to believe that it is best for the Congress to respond to changing budget situations and the changing needs of American citizens only every 2 years.

Now, of course, all of the major biennial budget proposals allow for modifications of the budget instead of a year, but if those modifications become routine and you end up spending almost as much time in the second year on revising the budget as was spent on the budget in the first, you won't get any of the promised benefits—more time for oversight and more thoughtful consideration of long term problems. So you wouldn't get the benefits.

At the same time, you are also likely to get budget outcomes that may not be as good because more of the budget decisions would be made in an ad hoc fashion rather than part of a thorough structured analysis of the budget. Frustration in Members of Congress with the budget process is completely understandable. But I am afraid that biennial budgeting would do nothing to ease that frustration and could, in fact, lead to budget outcomes that would be less desirable.

Thank you very much.

[The prepared statement of Mr. Horney follows:]

**Statement of James Horney,  
Senior Fellow,  
Center on Budget and Policy Priorities**

Chairman Dreier, Representative Moakley, Members of the Committee:

I appreciate the opportunity to testify before the Committee today on the subject of biennial budgeting. I am Jim Horney, Senior Fellow at the Center on Budget and Policy Priorities here in Washington, D.C. The Center is a nonprofit policy institute that works on an array of public policy issues, with a particular interest in matters of fiscal policy and policy impacts on low- and moderate-income families. The Center receives no federal grants or contracts.

Along with this testimony I would like to submit a paper on biennial budgeting written by Bob Greenstein, the Executive Director of the Center on Budget and Policy Priorities. That paper is a slightly revised version of a paper published last March, before I joined the Center. I am in complete accord with the points made in that paper — many of which have also been made by previous witnesses before this Committee — and will briefly outline the major ones here:

- \* Biennial budgeting would require working on budgets very far in advance, with federal agencies beginning to put together budgets for the second year of a two-year cycle at least 28 months before the year would start and 40 months before the year ends. Biennial budgeting would make it harder for the President and the Congress to respond to the substantial changes in budget needs and economic conditions that would occur over that period.
- \* Biennial budgets will probably have to be revised frequently. This will both reduce the likelihood that more time will be available for the executive branch and the Congress to devote to other activities, and increase the extent of budget decisions that are made on an ad hoc basis rather than as part of the more comprehensive examination of budget priorities that the regular budget process provides.
- \* Biennial budgeting is unlikely to increase effective Congressional oversight. Congressional authorizing committees are unlikely to substantially increase their oversight efforts since the time they can devote to such activities now is not significantly limited by the current annual budget process. Furthermore, the important oversight functions carried out by the appropriations committees in their annual review of the budget would be reduced.
- \* The experience in the states indicates that biennial budgeting does not work well for entities with large, complex budgets. Since 1940, the number of states using biennial budgeting has been cut by more than half. Most of the states still using biennial budgeting are small or medium states, which do not represent a good model for the federal government.
- \* The disadvantages of biennial budgeting are likely to outweigh the advantages.

Rather than going through all of these arguments against biennial budgeting in more detail, I want to focus on one particular problem with a two-year budget cycle that I am very familiar with — the likelihood that the budget outlook will change dramatically from the time that Congressional consideration of a two-year budget begins until the second year of that budget cycle has been completed.

Prior to joining the Center last July, I spent more than seven years at the Congressional Budget Office. During that time, I was in charge of the unit responsible for coordinating CBO's baseline budget projections. In that position, I could hardly fail to be struck by the dramatic changes that were occurring in the budget outlook. Each time CBO updated its baseline projections, I had the task of explaining how and why the projections of revenues, outlays, and surpluses or deficits had changed by scores, or even hundreds, of billions of dollars in just a few months. I firmly believe that those changes occurred not because CBO was failing to do its job properly, but because the United States economy and the federal budget are so large, so complicated, and so dynamic that no person or organization will ever be able to project economic or budget outcomes with any degree of certainty.

For instance, just since last March CBO has increased the projected surplus for fiscal year 2000 by \$84 billion and for fiscal year 2001 by \$105 billion — not including the effects of legislation enacted during the last year. Most of this change stems from an increase in revenues projected those years, which is largely the result of the economy growing more rapidly than anticipated. In light of recent experience, it might seem that budget projections always get better. But that is

clearly not the case — as recently as the early 1990s, there was a long period during which the budget outlook got progressively worse. For instance, from March 1990 to March 1991, CBO increased its projection of the total budget deficit for fiscal year 1991 by \$181 billion and for 1992 by \$238 billion.

Those changes in estimates are not unique. In a very revealing chapter on the "Uncertainties of Budget Projections" in the Budget and Economic Outlook: Fiscal Years 2001-2010 it released in January, CBO analyzed the errors in the budget projections it has produced each winter since 1986. CBO first calculated the difference between the deficits projected each year for six fiscal years (the then-current fiscal year, the fiscal year beginning the following October, and the succeeding four fiscal years) and the actual outcomes for each fiscal year from 1986 through the most recently completed fiscal year (1999). Next, CBO excluded the differences due to the effects of legislation enacted after the projections were made. Finally, it calculated the absolute average error (the average of the differences without regard to whether the projected deficit was higher or lower than the actual outcome) of the deficit projections for each of the six different time periods covered each year. That is, CBO calculated the average absolute error of projections for fiscal years that began the October 1 before the projections were made (the current year), the average absolute error of projections for fiscal years starting October 1 of the same year the projections were made (the budget year), the absolute average error of projections for fiscal years starting October 1 of the next year (the first outyear), and so on for projections for each fiscal year through the fourth outyear.

CBO found that the absolute average error for the projections of the deficit for the budget year (the year starting about eight or nine months after the projections were made) is equal to 1.1 percent of gross domestic product (GDP) for that fiscal year. Based on CBO's current economic forecast, an average error in the surplus projected for fiscal year 2001 (the budget year right now) would be \$112 billion. CBO also found that the absolute average error for the deficit projected for the following fiscal year (the first outyear) was even larger — 1.6 percent of GDP. Thus, for fiscal year 2002, which will begin more than 20 months from now, an average error in the projected surplus would produce a swing of \$170 billion — that is, if CBO is as accurate as it has been on average over the last 14 years, we can expect that the total budget deficit will be \$170 billion higher or lower than the \$212 billion CBO is currently projecting for 2002 (not including the effects of legislation that may be enacted).

This is not intended as a criticism of CBO — particularly since I was at least partially responsible for some of the projections that have been so far off. It is simply intended to indicate that projecting the course of the federal budget is highly uncertain; the best possible estimates are still likely to be wrong by many billions of dollars.

Congress cannot do anything about the uncertainty of budget projections. You can, however, choose how to deal with that uncertainty when deciding how the budget process should work. And I think that it is reasonable to ask whether locking in a budget plan for two years is the appropriate response to such a high degree of uncertainty. I have often heard Members of Congress argue that the government should be run more like a business. It can be argued that businesses today are facing more uncertainty than ever in trying to plan for their future — for instance, even just a very few years ago who imagined the opportunities and the challenges that the internet presents for American business today. How are successful businesses responding to this uncertainty? By increasing their flexibility and responding more rapidly to changes in their environment. They have not responded by reducing how often they thoroughly reconsider their business plans, although they might extend the time horizon of those plans. It is hard to imagine the CEO of any corporation telling his stockholders that in this dynamic economy the company will be well served by locking in place for two years a business plan based on today's market outlook, spending a year reviewing whether that plan is working, and only then making significant changes in that plan.

There may be good reasons for the Congress not to revise the federal budget as often as some companies change their business plans, but it is hard for me to believe that it is best for the Congress to respond to the changing budget situation — not to mention the changing needs of American citizens — only every two years.

Of course, most biennial budget plans do not preclude changes in the budget in the non-budget year. Budget resolutions can be revised, reconciliation bills pursuant to instructions in the revised resolution can be considered, and supplemental appropriations can be enacted. But if such revisions and new budget legislation are routine, then the promised benefits of biennial budgeting will certainly not be achieved. Those benefits can only occur if Congress does not spend any appreciable time on the budget in the non-budget year, but spending little or no time on the budget every other year is not the best response to the constantly changing economic and budget outlook.

Some might argue that biennial budgeting is worth trying because the worst that will happen is that the Administration and the Congress will end up spending just as much time on the budget in the off year as they spend each year now. Therefore, no harm would be done. But biennial budgeting could do harm to the process. For instance, the President and Congress could fail to make needed changes in the budget in the second year, with potentially serious results. But, even if they do end up making extensive changes in the budget each year to respond to the changing outlook and needs, the resulting decisions might be less desirable than they would be under the current process. Because the time spent on the budget in the off year will not be part of a thorough, structured review of the budget, decisions about changes in the budget in the second year will be made on a more ad hoc basis than occurs under the current system. Thus, not only might the potential benefits of biennial budgeting — more time for other activities — fail to materialize, but budget decisions may be less well-considered and less responsive to the needs of the American public.

The CHAIRMAN. Thank you very much. We appreciate your testimony and the time that you have put into this. I don't have any particular questions, although I would like to ask all of you again that you accept written questions that will come from the committee. We have one more panel that we are hoping to have considered before we go to our teleconferencing testimony from Mr. Panetta.

Mr. Linder, do you have any questions?

Mr. LINDER. Just one. Which reforms, process reforms, were turned around. Which ones?

Mr. BIXBY. Specifically I think the idea of having caps on discretionary spending and the pay as you go limitation on mandatory programs and revenues certainly helped control spending.

Mr. LINDER. We broke those caps. In fact, we have broken the caps every year since Gramm-Rudman I, Gramm-Rudman II, and the 1990 agreements.

Mr. BIXBY. Technically, the caps aren't broken because of emergency spending, but I certainly agree and have been quite critical of the emergency spending loophole which really didn't get out of hand until the last 2 years. In the mid-1990s the caps had the effect of keeping spending down even if they weren't strictly adhered to. The last 2 years I think the caps got unrealistically low, so there are a lot of emergency loopholes, and I think that is one of the keys, and I think Jim and I would agree on this. The key if you are going to do the biennial budgeting is to use realistic assumptions about discretionary spending so that in the second year you don't have to do, you know, outside supplementals.

Mr. LINDER. Thank you. Thank you, Mr. Chairman.

Mr. FRENZEL. Mr. Chairman, might I comment? You are dead right, we busted caps, we busted Gramm-Rudman. When it didn't work, we made Gramm-Rudman II. We have invented all sorts of things to restrict spending, and they haven't worked. The only thing that has worked has been the caps beginning with BEA 90. While they may not have done everything you and I would have liked them to do they at least made Congress think a little bit about exceeding them. Last year they didn't think quite hard enough I am afraid, but nevertheless I think the caps have some effectiveness and should be part of the system.

Mr. Chairman, in light of a comment on the panel, would you permit Ms. Wait to make a statement, a very short one.

The CHAIRMAN. Surely.

Ms. WAIT. I just wanted to refer to Mr. Horney's argument that you shouldn't have a biennial budget process because it could interfere with fine-tuning to adjust to changes in economics and budget outcomes. I would like to associate myself with Alice Rivlin in this regard. Alice has written that budget forecasts and economic forecasts are kind of like weather forecasts. We can look out the window and we know what the weather is like today. We can predict with some certainty what it is going to be tomorrow, and over the long haul we can predict business cycles will occur though we can't predict them with the kind of certainty we would like any more than long range weather forecasts are dependable.

But Alice also has written, that it is folly to think we can or should fine-tune Federal fiscal policy to respond to relatively small



changes in the overall economy and in budget outcomes. As big as \$170 billion sounds you are talking about changes at the margin equal to small percents of GDP that simply don't merit constructive action by Congress to change fiscal policy. If biennial budgeting discourages that, we think it would be a very good thing.

Mr. HORNEY. If I could add just one thing, I agree completely with the point that the Congressional budget is not an effective tool of fiscal policy as far as affecting economic cycles. I think the Federal Reserve is much more effective, but I do think that large changes in the projected spending and projected revenues should be taken into consideration in policy, and I can certainly tell you that many Members of Congress feel that way because we got phone calls weekly at CBO saying "how have things changed since your last projection."

The other thing is these changes occur because revenue projections change and projections of particular programs change. Medicare is a good example. There has been a dramatic change in the rate of spending there. I could question whether the response of Congress last year was appropriate, but it is certain that many Members of Congress thought that the dramatic slowdown in the rate of spending in Medicare warranted some congressional action.

So I may not agree with all of the decisions Congress may make, but I do think it is important to take those things into consideration.

The CHAIRMAN. Thank you all very much again. I ask that you accept written questions we will be submitting from the committee, and wonderful to see a former colleague Mr. Frenzel here.

Mr. FRENZEL. Thank you, Mr. Chairman. You and your committee's dedication to making the Congress work better is greatly appreciated.

The CHAIRMAN. Thank you very much, Bill.

Our last panel consists of Dr. Martin Regalia, the Vice President and Chief Economist of the U.S. Chamber of Commerce and Ronald Snell, Economic and Fiscal Division Director From the National Conference of State Legislatures. Gentlemen, it is nice to see you and please feel free to offer a summary.

I say we are dealing with somewhat of a time constraint because we are trying to hook up our video to California where we are going to be hearing from Mr. Panetta, so I hate to impose that kind of limitation on you, but I hope you can extend that. Thank you very much.

**STATEMENTS OF DR. MARTIN REGALIA, THE VICE PRESIDENT AND CHIEF ECONOMIST, U.S. CHAMBER OF COMMERCE; AND RONALD SNELL, ECONOMIC AND FISCAL DIVISION DIRECTOR, NATIONAL CONFERENCE OF STATE LEGISLATURES**

**STATEMENT OF DR. MARTIN REGALIA**

Mr. REGALIA. Thank you, Mr. Chairman. My name is Martin Regalia. I am the Vice President and Chief Economist for the U.S. Chamber of Commerce, and we appreciate the opportunity to testify today, and I ask that my full statement be in the record.

The CHAIRMAN. Without objection it will be included.

Mr. REGALIA. I will summarize it quickly. The existing congressional budget process is overly time consuming and often unable to produce a budget in a timely fashion. The Chamber believes that the adoption of a biennial budget cycle will streamline the process, allow Congress to develop a workable budget in a timely manner and make more time available for congressional oversight.

The current process is fraught with problems. Deadlines are repeatedly missed. The government regularly fails to enact all individual appropriations bills to fully fund the government by the beginning of the fiscal year. Even the multiple continuing resolutions to keep the government in operation has become a common place event, and this annual quandary does not serve anyone of any party or the American public.

Resources are wasted on repeating the budgetary process each year. Immense amounts of time and manpower required for budgetary preparation, review, submission and legislation, and this in turn siphons these valuable and limited resources away from the task of managing and adjusting existing programs to keep pace with today's changing times and from attending to other nonbudgetary matters. The current process leaves too little time for oversight and congressional oversight is vital to maintaining the integrity of our country's fiscal health.

Adoption of a biennial budget system would allow the President and the administration more time for management of Federal programs and the Congress more time for programmatic oversight over the course of the budget cycle. A biennial budget would also promote better long term planning. Budgeting for the longer term would entail greater uncertainties in forecasting of revenues or projecting funding requirements of agencies and programs. However, supplemental appropriations and rescissions can compensate for these shortfalls as well as for the need to adapt to changing economic and programmatic conditions.

In conclusion, I would just say that adoption of a biennial budget is a process that will improve the efficiency and effectiveness of the Federal Government. We urge the Congress and the administration to join together in enacting biennial budget legislation, and we thank you for these hearings.

[The prepared statement of Mr. Regalia follows:]

**Statement of Martin A. Regalia,  
Chief Economist and Vice President of Economic Policy,  
U.S. Chamber of Commerce**

My name is Dr. Martin A. Regalia, and I am Vice President and Chief Economist of the U.S. Chamber of Commerce. The U.S. Chamber is the world's largest business federation, representing more than three million businesses and organizations of every size, sector and region. This breadth of membership places the Chamber in a unique position to speak for the business community. Mr. Chairman, we appreciate this opportunity to testify on behalf of biennial budget provisions, such as those contained in the Biennial Budgeting and Appropriations Act (S. 92), introduced by Senator Domenici, and in several bills introduced in the House of Representatives (H.R. 232, H.R. 493, H.R. 2985, and H.R. 3586), and we commend you for holding these hearings.

**Our Annual Budget System is Too Inefficient**

Increasingly, the existing Congressional budget process is unable to produce a budget in a timely fashion. The system is fraught with wasteful repetition and duplication of effort, allowing inadequate time for oversight and management of government programs, suboptimal budget predictability and stability, and even more frenetic activity during election years. The Chamber believes that the adoption of a biennial budget cycle will alleviate some of these by-products of the federal budget process.

**Biennial Budget Proposals**

As provided in the proposals contained in current House bills and S. 92, a biennial budget would require the President to submit a two-year budget, and would devote the first session of a Congress to developing a two-year budget resolution and attending to 13 two-year appropriations bills. A point of order would be established against consideration of appropriations legislation covering less than two fiscal years and consideration of authorization legislation during the first session until all action on budget-related legislation has been completed. The second session would have Congress concentrate on authorization activities and programmatic oversight of government agencies. If necessary, modifications to the appropriations would be handled through the mechanisms of supplementary appropriations or rescissions in the latter session.

**Problems with the Current Process**

**Lack of Timeliness**

Within the current budgetary framework, deadlines are repeatedly missed. The government regularly fails to timely enact all individual appropriation bills to fully fund the government by the beginning of the fiscal year. Since 1950, Congress has enacted all thirteen appropriation bills by the beginning of the fiscal year only three times. During the 26-year history of the Budget Act, Congress has met the deadline for completion of a budget resolution only four times. A timely completion of this year's budget resolution would mark the first time that Congress has met the April 15th statutory deadline two years in a row.

The adoption of multiple continuing resolutions to keep the government in operation has become a commonplace event – the status quo. The threat of government shutdowns – and the occasional reality of actual ceasing of operations – is a very disruptive and disheartening aspect of our system of government. It's no wonder that many Americans have lost faith in their leaders, and feel that elected officials are "out of touch" with their constituents. This annual quandary serves no one's best interests—regardless of political affiliation.

This manner of conducting "business as usual" would not hold up to scrutiny in the business world. This is no way to run a business, and it is certainly no way to run a country. Adoption of a biennial budget system would help free the government from this threat of chaos and paralysis.

**Wasteful Repetition**

Vast resources, both in terms of human and financial capital are wasted on repeating the budgetary process each year. The current budgetary process is very time and resource-intensive, requiring nearly three years of combined effort by the executive and legislative branches to produce and execute each annual budget. Immense amounts of time and manpower are required for budgetary preparation, review, submission and legislation. This, in turn, siphons these valuable and limited

resources away from the tasks of managing and adjusting existing programs to keep pace with today's changing times, and from attending to other, non-budgetary matters. Congress often debates the same issues year after year, and seems to be mired in an ever-expanding pool of budgetary quicksand that swallows up its time and saps its energies. Agencies, too, are left drained by their continual engagement in hearings, markup sessions, conference reports, and planning for the following year's budgetary process. Biennial budgeting would streamline the budget process, reduce needless repetition of effort, and free federal agencies and Congress to better attend to the interests of the American people.

#### **Inadequate Time for Oversight and Management**

Congressional oversight is vital to maintaining the integrity of our country's fiscal health. Our system of checks and balances requires that Congress reviews, monitors, and supervises the executive branch's conduct of federal programs and implementation of national policy. Oversight ensures compliance with legislative intent; improves the efficiency, effectiveness, and economy of government operations; evaluates program performance; reviews and determines federal financial priorities; reviews agency rule-making processes; and acquires information useful in future policymaking. Congress is charged with the power and responsibility to observe and control the government, so that it may rein in its excesses and correct its flaws. Effective oversight of federal programs results in improved management, efficient evaluations of program goals and performance, and opportunities to remedy problems and prevent waste or abuse of resources.

Unfortunately, the annual appropriations process is so time-intensive that insufficient time remains for systematic and programmatic oversight of federal programs. This results in the abbreviation of the authorization process, where most programmatic oversight is conducted.

Lack of sufficient oversight has resulted in the squandering of our tax dollars on unauthorized programs. In fiscal year 1999, \$101 billion was appropriated for 118 programs whose authorization had expired. Likewise, the Congressional Budget Office has reported that Congress provided another \$120.9 billion for 137 unauthorized programs in fiscal year 2000.

Adoption of a biennial budget system would allow the President and his Administration time for management of federal programs and the Congress more time for programmatic oversight over the course of the budget cycle. Identification and elimination of wasteful and unnecessary federal spending would thereby be facilitated, making our federal budget process more effective and economically efficient. Furthermore, agencies would be better able to focus on executing their programs, due to less frequent preparation and justification of future year budgets.

#### **Budget Predictability and Stability**

A biennial budget would provide more accurate predictability of funding streams for federal programs and for state and local programs that rely on the receipt of federal funds or represent joint ventures between state and federal governments. Because a biennial budget necessitates forecasting revenues and expenditures for a longer time frame, agencies and lawmakers will engage in longer-range planning. It is our hope and expectation that this will result in well-reasoned, better thought-out undertakings than those borne by annual budget-making.

Agencies may spend less in the first year of a biennial budget cycle because their appropriation authority extends into the next year. There is no incentive to deplete funds at the end of that year because of that carryforward of funding. Furthermore, longer-term planning can be expected to increase governmental efficiency.

Budgeting for the longer-term will entail greater uncertainties in forecasting revenues or projecting funding requirements of agencies or programs for the course of a budget cycle. However, supplemental appropriations and rescissions can compensate for these shortfalls, as well as for the need to adapt to changing economic and programmatic conditions.

#### **Conclusion**

In conclusion, adoption of a biennial budget process will greatly improve the efficiency and effectiveness of the federal government, and foster a new sense of trust in our elected officials and in our government institutions. We urge that Congress and the Administration join together to enact biennial budget legislation that will achieve these goals. Thank you.

The CHAIRMAN. Thank you very much, Mr. Regalia. Mr. Snell.

#### STATEMENT OF RONALD SNELL

Mr. SNELL. Mr. Chairman, Mr. Linder, thank you for the opportunity to be here. I am a member of the staff of the National Conference of State Legislatures. One of our primary concerns is the continued vitality of the legislative institution, and we feel that the examination you are making of the budget process in Congress is essential to that vitality. We applaud and thank you for your efforts.

I was asked to comment specifically on what lessons States' experience with annual and biennial budgeting might have for your study. You have heard a fair amount of evidence about the structure of biennial budgeting in States, not only today but in previous sessions, and you know that something less than half the States have biennial budgets and something more than half have annual budgets.

My point I think is that the experience of these States leads to no conclusive lessons for your committee. The State budget practices vary greatly amongst themselves. The situations States face in the size of their budgets and the structure of their processes varies not only within a State and from year to year but amongst the States as well.

I will make five points quickly and be happy to answer any questions. I would ask, Mr. Chairman, that my full statement be part of the record.

The CHAIRMAN. Without objection.

Mr. SNELL. My first point is that from the perspective of State legislatures, annual and biennial budgeting systems work equally well. That has been demonstrated by surveys done of legislatures over the past 30 years. In response, secondly, to a specific issue raised in this committee, States do not demonstrate that biennial budgeting in and of itself necessarily transfers authority to the executive branch, and I would choose only one example to make that point.

Texas has a biennial budget. It is one of the 10 largest States in population and in budgeting, and it is the legislature with the greatest amount of legislative budget discretion of any of the States. The Texas legislative budget board essentially writes the budget for the State of Texas. It administers the budget. It makes changes in the budget in the off year when the legislature is not in session.

The third point I would make is that biennial budgeting certainly creates the opportunity for long-term planning and for legislative review of agency performance but State experience in taking advantage of that opportunity is definitely mixed. Again, to pick the example of Texas, the Texas legislature is exemplary in its review of State agency performance. But in other States, executive branch staff and legislative staff report to us that legislative oversight is, as far as they can tell, no different in biennial States than from annual States.

My fourth point is that it is certainly true that biennial budgeting can create a need for budget revisions and supplemental appro-

priations in the second year of the biennium, but this is as true for annual budgeting States as it is for biennial budgeting States. The occasion arises due not to the process of the budget but extraneous circumstances, the majority of them being the fiscal conditions at the time.

My final point is that from the executive branch perspective, biennial budgeting does improve the efficiency of the budgeting process because it reduces the amount of time that has to be spent from year to year in assembling the budget and this is undoubtedly the reason that executive branch officials in both annual and biennial budgeting States highly recommend biennial budgeting. From a legislative perspective it is not so certain that this is a valid statement in its favor.

Thank you, Mr. Chairman. I appreciate the opportunity to be here.

[The prepared statement of Mr. Snell follows:]

**Statement of Ronald K. Snell,  
Director of Economic, Fiscal and Human Resources,  
National Conference of State Legislatures**

**INTRODUCTION**

The trend among state governments for the past 50 years has been to abandon biennial budgeting for annual budgeting. Forty-four states practiced biennial budgeting in 1940. Twenty-one do so now. There have been several reasons for the shift to annual budgeting, but in general the shift has been part of the resurgence of state legislative power since the middle of the century. In the past decade, however, two states have returned to biennial budgeting from annual budgeting, and no state has shifted from biennial to annual budgeting.

The growing role in legislatures in state government can be measured by the shift from biennial to annual legislative session. In 1940 only four state legislatures held annual sessions; now 43 do so. A shift to annual budgeting tended to follow the move to annual sessions, as state budgets became larger and more complicated and as federal grant-in-aid programs to state and local governments became increasingly prominent in the 1960s and 1970s. At the same time, state finances became more dependent upon personal income and sales taxes, enlarging the revenue stream and making it somewhat less stable than in the past, adding another reason for adoption of annual budgets.

State changes have not moved in only one direction. Connecticut returned to biennial budgeting in 1991, reversing the decision it made to go to annual budgeting when the state shifted to annual legislative sessions in 1971. Arizona made a gradual transition from annual to biennial budgeting in the course of the 1990s, and completed the process with the enactment of a biennial budget in 1999. Kansas provides smaller agencies with biennial budgets and larger agencies with annual budgets, a practice Arizona used in the mid-1990s. A few states have moved from annual to biennial budgeting over the past 20 years or have changed back and forth, because of partisan politics, uncertainty as to which worked better, or both, as shown in table 2 at the end of this report. As this report will show, state experience does not make a clear case for the superiority of either biennial or annual budgeting over the other.

True biennial budgeting--enactment of a consolidated two-year budget--occurs only in three states--Oregon, North Dakota, and Wyoming (table 1). Oregon and North Dakota have biennial legislatures as well--they meet in regular session only once in two years. Although the Wyoming legislature meets annually, in the non-budget year its session is scheduled for only 20 days.

Except for those three, the practice is for biennial budgeting states to enact separate budgets for two fiscal years at once. Since most of the states that do this have annual legislative sessions in which they can and do revisit the budget, table 1 may overstate the extent of true biennial budgeting. As already noted, the long term trend has been for states to move to annual budgeting. Biennial budgets are more likely to be found in the less populous states, as are biennial legislatures. Among the 10 largest states--whether measured by population or by legislative appropriations--only Ohio and Texas use biennial budgets, and only Texas has regular biennial sessions of the legislature.

TABLE 1. ANNUAL AND BIENNIAL BUDGETING STATES  
(**Boldface** indicates the 10 most populous states)

ANNUAL SESSION ANNUAL BUDGET (29 states)	ANNUAL SESSION BIENNIAL BUDGET (14 states)	BIENNIAL SESSION BIENNIAL BUDGET (7 states)
Alabama	Arizona	Arkansas
Alaska	Connecticut	Kentucky
<b>California</b>	Hawaii	Montana
Colorado	Indiana	Nevada
Delaware	Maine	North Dakota.*
<b>Florida</b>	Minnesota	Oregon. <sup>2</sup>
<b>Georgia</b>	Nebraska	Texas
Idaho	New Hampshire	
Illinois	North Carolina	
Iowa	Ohio	
Kansas	Virginia	
Louisiana	Washington	
Maryland	Wisconsin	
Massachusetts	Wyoming.*	
Michigan		
Mississippi		
Missouri		
New Jersey		
New Mexico		
<b>New York</b>		
Oklahoma		
<b>Pennsylvania</b>		
Rhode Island		
South Carolina		
South Dakota		
Tennessee		
Utah		
Vermont		
West Virginia		
Population estimates are for 2000		

\* Biennial budget states that enact a consolidated two-year budget. Other biennial budgets enact two annual budgets at one time.

These are the other issues this report examines:

1. Significant differences of budget administration between states with annual and biennial budgets.
2. Advantages and disadvantages of a biennial budget cycle.
3. The consequences of a biennial budget cycle for predictability and planning certainty for executive branch agencies and legislative committees.
4. The ability of governors and legislatures to respond to changing events and changing budget priorities.
5. The likelihood and consequences of increasing reliance upon supplemental appropriations in a biennial budget cycle.

#### 1. Significant differences of budget administration between states with annual and biennial budgets.

Biennial and annual budgets do not seem to cause significant differences in budgeting practices among the states, although state practices vary so widely for reasons of politics and history that it is difficult to single out any one reason for differences in practice.

There does not appear to be any consistent relationship between state budget and legislative cycles and the powers governors have to cut budgets or transfer funds between agencies or programs. A governor's power to reduce budgets or make transfers varies greatly from state to state, but it does not appear to be consistently greater in states with biennial budgets or legislative sessions than in other states.

Arkansas, for example, which has a biennial legislature and budget, imposes strict limits on the governor's power to transfer funds among programs in an agency appropriation, denies the power to transfer funds among agencies, and limits the governor's power to cut the budget with provisions that are enacted in the budget itself. Despite the biennial legislative sessions, the legislature preserves a significant amount of control over changes in the budget when it is not in session. This is no different in its effect from the practice in the annual-budget state of Tennessee, where the constitution encourages the governor to call a special session of the legislature if budget cuts are needed, and where transfers are similarly limited.



Some states with annual legislatures and budgets provide governors with remarkably broad administrative authority over the budget. Iowa, Indiana, South Carolina, and South Dakota allow their governors unlimited power to transfer funds among state agencies. Ten of the states with annual legislative sessions allow their governors to reduce budgets by unlimited amounts to cope with revenue shortfalls. Only five of the 20 states with biennial budgets give their governors as much power to reduce spending. Thus the budget cycle in itself does not appear either to create a need for strong executive budget review powers or to prevent the need for them.<sup>(1)</sup>

## 2. Advantages and disadvantages of a biennial budget cycle.

There is little evidence of clear advantages of either annual or biennial state budgeting practices. These are the findings of two major studies. In 1972, the Council of State Governments examined the issue, a favorable time for doing so since states' experience in shifting from biennial to annual budgeting was recent enough to allow comparisons of biennial and annual budgeting within some states. No clear findings emerged, and the study concluded that:

*In reality, a State can develop a good system of executive and legislative fiscal and program planning and controls under either an annual or biennial budget. The system would work differently with the alternative timespans, but could be effective under either approach.*<sup>(2)</sup>

Analysts at Texas A & M University reviewed the CSG study in the course of their own examination of annual and biennial budgeting in 1984, and came to the same conclusions:

*The arguments used to justify and refute both annual and biennial budgets remain essentially unchanged [since 1972]—and unproven. The success of a budget cycle seems to depend on the commitment of state officials to good implementation rather than on the method itself.*<sup>(3)</sup>

Major advantages of biennial budgeting are said to be that it is conducive to long-term planning; that it allows more time for program review and evaluation; and that the process itself is less expensive and time-consuming than that of annual budgeting.

*Long-term planning.* Many states, like the federal government, carry out long-term planning efforts that are independent of their budget cycle, but there is no evidence that biennial budgeting particularly favors those efforts. Evidence from states which have changed from annual to biennial budgeting over the past 30 years fails to provide strong support for the contention that biennial budgeting is conducive to long-term planning. The Council of State Governments' 1972 study of eight states produced such conflicting evidence that it could neither confirm nor reject the idea. An in-depth study of five states carried out by faculty of Texas A&M University in 1984 was also inconclusive on the point, as is the study done by the General Accounting Office in 1987.<sup>(4)</sup> Analysts in Connecticut, however, emphasize that the governor and legislature have greatly increased their long-term budget forecasting and analysis since the state adopted a biennial budget in 1991.

*Program Review and Evaluation.* A strong argument for biennial budgeting is that it allows more time for performance evaluation, and thus can encourage administrators and legislators to move in the direction of outcome-focused budgeting rather than continue to focus on budget controls. This was one of the principal arguments that led Connecticut to return to biennial budgeting. Proponents contended that, "The present system (of annual budgeting) does not allow enough time to review expenditures in depth. Those preparing the budget finish one year and then immediately plunge into the next year's budget."<sup>(5)</sup>

It is not clear that Connecticut's experience has lived up to this goal, since budget revision and consideration of new programs has, according to participants, taken up about as much time in the non-budget years as writing a budget does in the budget sessions. Analysts in two other biennial budget states--Ohio and Oregon--emphasize that their budget cycles facilitate policy consideration and reflection. Oregon's biennial legislative schedule provides time for interim study committees to undertake major projects in the absence of a legislative session.

Comparisons between states are very difficult, however, and many legislatures with annual budgets carry out sophisticated program and performance review through specialized staff agencies with legislative oversight. Although it seems intuitively certain that biennial budgeting encourages legislative performance review and evaluation, there is probably no way to prove that the opportunity is more beneficial than the existence of a strong performance evaluation effort in an annual-budget state.

such problems.<sup>(7)</sup> This report has discussed some of them already in making the point that there does not appear to be greater executive authority over state budget administration in states with biennial budgets than in states with annual budgets.

State balanced-budget requirements require prompt action when revenues fall short of projections. Fifteen states give their governors full authority to cut the budget when there is a revenue shortfall. Very few prohibit the governor from making any spending cuts. California, which has a full-time legislature, prohibits the governor from making such cuts, but that is exceptional.

Most states take a middle way. They give the governor limited authority to make cuts and require the legislature to act when circumstances require more extensive action than the governor has authority to take. Maryland, for example, allows the governor to cut any line-item appropriation by as much as 25 percent. Connecticut and Kentucky limit such cuts to 5 percent. In Oklahoma, the governor's cuts must affect all appropriations equally, meaning that elementary education funding must be cut along with programs where cuts would produce less of a public outcry. This provision tends to bring the legislature into the picture when cuts have to be made.

When constitutional and statutory provisions do not cover a problem, a special legislative session is necessary. Partly because of fiscal difficulties, legislatures in 31 states held more than 50 special sessions in 1991. But legislative reapportionment and education reform were as likely to be the cause of special sessions as the recession was. Reforming the state school funding formula required Texas to hold three special sessions in 1989 and four in 1990. Overall, states with biennial legislatures appear to have had no more special sessions than states with annual, part-time legislatures in the four years beginning with 1988 and ending in 1991.<sup>(8)</sup>

#### **5. The likelihood and consequences of increasing reliance upon supplemental appropriations in a biennial budget cycle.**

According to older studies of state decisions to shift to annual budgeting from biennial budgeting, supplemental appropriations became less common after the shift. But in recent years supplemental appropriations have been common in all states—not just those with biennial budgets—because of the unpredictable changes in the national economy and because of cost overruns in Medicaid programs.

In the late 1980s and early 1990s, many state budgets were hit by revenue shortfalls and expenditure overruns. The former tended to occur in the three largest state tax sources—the general sales tax, personal income taxes, and corporate income taxes where a small error of estimate can create a significant dollar shortfall. Overruns occurred largely in Medicaid programs, to a less extent in other entitlement programs, and to a small extent in elementary education and corrections.

Annual legislative sessions and annual budgets provide for reasonably timely responses to such issues and insure that requests for supplemental appropriations will be reviewed in the context of the entire state budget. States where annual legislative sessions review biennial budgets for the off year also can put supplemental requests into perspective. In either case, consideration of supplemental appropriations is often as difficult and time-consuming as consideration of an original departmental budget, and, by focusing attention on a few agencies, is likely to bring entire departmental budgets back into the political arena.

The extent to which budgets are actually revised for the second year of a biennium varies from state to state and from time to time, largely depending on economic and fiscal conditions. Connecticut's experience has been that budget revisions and adjustments to account for new programs cause off-year budget revision to be about as time-consuming as creation of the full budget. Ohio's experience has been the opposite: except for the regularly scheduled enactment of a capital budget in the off-year, the biennial budget usually receives a minimum of adjustment and the adjustments are not time-consuming.

#### **CONCLUSION**

There is little evidence that either annual or biennial state budgets hold clear advantages over the other. Evidence from the past is inconclusive on the question whether biennial budgeting is more conducive to long-term planning than annual budgeting is. Some evidence indicates that biennial budgeting is more conducive to program review and evaluation. Biennial budgeting is likely somewhat to reduce budgeting costs for executive agencies, but it also is likely to reduce legislators' familiarity with budgets. States with biennial budgets and biennial legislative sessions do not appear to have given greater authority over budget revision to governors than other states

have. Forecasting is likely to prove more accurate in annual-budget states than in biennial-budget states, reducing the need for supplemental appropriations and special legislative sessions.

In the short run, economic conditions largely determine how efficiently a state budget is enacted and whether it requires extensive change in the course of administration. In the long run, the political expectation that state operations budgets will be balanced annually or biennially is one of the basic controlling elements of state budgeting, far more important than the length of the budget period or the frequency of legislative sessions.

TABLE 2. STATES THAT HAVE CHANGED THEIR BUDGET CYCLES SINCE 1968S

FROM BIENNIAL TO ANNUAL APPROPRIATIONS
Alabama -- 1975
Florida -- 1971
Georgia -- 1974
Idaho -- 1972
Iowa -- 1983
Illinois -- 1970
Mississippi -- 1971
Missouri -- 1972
Oklahoma -- 1968
Tennessee -- 1970
Utah -- 1969
Vermont -- 1978 .
FROM ANNUAL TO BIENNIAL APPROPRIATIONS
Arizona -- 1999
Hawaii -- 1968
Nebraska -- 1987
FROM BIENNIAL TO ANNUAL TO BIENNIAL
Connecticut -- to annual in 1971, to biennial in 1991.
Indiana -- to annual in 1975, to biennial in 1978
Minnesota -- to annual in 1973, to biennial in 1975
Nebraska -- to annual in 1972, to biennial in 1987
North Carolina -- to annual in 1973, to biennial in 1975
FROM BIENNIAL TO ANNUAL TO BIENNIAL TO ANNUAL
Iowa -- to annual in 1975, to biennial in 1979, to annual in 1983
Sources: NCSL surveys of legislative fiscal officers, 1987, 1994; GAO, 1987.

NOTES:

*The author is indebted to Steven D. Gold and Harold Hovey for their suggestions for revising an earlier version of this report. This paper benefits from the research presented in Barbara Yondorf, "Annual versus Biennial Budgeting: The Arguments, the Evidence: A Presentation to the Wisconsin Assembly Ways and Means Committee, January 26, 1987," (Denver, Colo.: National Conference of State Legislatures, 1987).*

1. The preceding four paragraphs are based on Corina L. Eckl, *Legislative Authority over the Enacted Budget*, (Denver, Colo.: National Conference of State Legislatures, 1992), Tables 5, 6, and 7.
2. Council of State Governments, *Annual or Biennial Budgets?* (Lexington, Ken., 1972), 23.
3. Public Affairs Research Council of Louisiana, "Results of PAR Survey on Annual vs. Biennial State Budgeting" (Baton Rouge, La., 1982).
4. Charles W. Wiggins and Keith E. Hamm, "Annual Versus Biennial Budgeting?" Public Policy Paper No. 7 (Austin, Texas: Public Policy Resources Laboratory, Texas A&M University, 1984), III-15; United States General Accounting Office, *Budget Issues: Current Status and Recent Trends of State Biennial and Annual Budgeting* (Washington, D.C., 1987).
5. [Connecticut] Commission to Study the Management of State Government, *Final Implementation Report* (Hartford, Conn., 1991).

6. Forty-nine states have statutory or constitutional requirements for a balanced budget; Vermont is the exception. In most states the requirement includes all state spending, but it invariably applies to appropriations from the state general fund.
7. Eckl, *Legislative Authority over the Enacted Budget*, Tables 5, 6, and 7.
8. Council of State Governments, *Book of the States*, 1990-91, Table 3.22; *Book of the States*, 1992-93, Table 3.25 (Lexington, Ken., 1990, 1992).

The CHAIRMAN. Thank you very much. Thanks to both of you for your testimony. What is the relationship between the fact that the Federal Government has an annual budget and the States and the budget process of the States have.

Mr. SNELL. It is not clear that there is any definite relationship. It seems that States tended to shift to annual budgeting in the 1950s and 1960s more because they were shifting to annual sessions than because of the Federal budget schedule. The issue of the Federal budget schedule that creates greater issue for States is that our fiscal years do not coincide, but that is an issue that I think States have come to live with.

The CHAIRMAN. Thank you. And Mr. Regalia, as obviously the Chamber of Commerce represents many businesses, large and small I know very well, I was wondering if you could elaborate on the point that biennial budgeting increases predictability and stability for those served by Federal programs and those that receive Federal money such as research grants and all this. This is an argument that actually the chairman of the Interior Appropriations Subcommittee Ralph Regula has made at very, very great length, that going to the 2-year cycle will assist in contracting and create a modicum of stability that does not exist today.

Mr. REGALIA. Well, I want to think when you look at Federal programs and you look at Federal budgeting in general there is a great difference between the private sector and the public sector and the difference in the intent. I mean what you are really looking at the Federal Government level is providing public service, a public good in a way that is most efficient and most effective. It is not some decision that a business makes on the basis of an investment and a rate of return on that investment. It is an entirely different process that generates it.

I think what we are seeing is that if you have Federal programs that understand their outlay schedule and their appropriations over a 2-year cycle, that they don't get the kind of end of year spend out that you see in many programs, that you get a more reasoned approach to providing the service and that you do tend to create some market efficiencies in the first year because the administrators of those programs understand that they have to keep a certain level of service ongoing through the entire 2-year cycle.

So it is a different process than we see in businesses and as a result I don't think the analogy between how businesses balance their books or report their books and the budget of the Federal Government or State entity or even a local entity I don't think is a good comparison.

The CHAIRMAN. Mr. Linder.

Mr. LINDER. I may be interested in submitting some questions in writing to you on it. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Let me just ask before we conclude, Mr. Regalia, we have had testimony clearly stated that biennial budgeting makes more sense from an economic perspective and you as an economist and a businessman might offer some comments on that assertion that someone made.

Mr. REGALIA. Well, I think that again when you look at the Federal process and the point of spending at the Federal level is to provide a certain level of public goods, and then it is the financing job to figure out how to get the money and there is really only a very limited place to do that. I mean you either borrow it or you tax it and both of those come out of the private sector. One has a bigger impact on savings, bigger negative impact on savings than does the other. But when you look at trying to impute a certain efficiency to that expenditure process, I think you have to trust the manager of the program to a certain extent, and I think managers do best when they know what level of outlays they are trying to provide, what level of outlays they are trying to mete out to the recipients and what their budget is.

As a manager in both a company in the private sector and in a trade association, which really doesn't use the same model, I would much prefer to know what it is I am required to produce, what it is I am supposed to be providing and give me my budget and I will figure out the most efficient way to do that and we will also make sure that I don't overspend in the first year, when I know that I have to make the budget stretch for 2 years. You will still have some of the spendout problems in the second year, but you remove it for 1 year. I think that it just provides managers in the programs with a better sense of what their available resources are and what the requirements or what our expectations are as to what they are going to provide. Rather than having to go through kind of a Kabuki dance at the end of every year by spending out the money they have, and justify what they are going to do next year. If that is the incentive we give them, managers are very good at providing that.

The CHAIRMAN. We certainly found that to be the case for many years. Let me just ask one final question for you, Mr. Snell, and that has to do with the amazing disparity that exists in the appropriations processes State by State. I understand that a third of States have one appropriation bill and yet Arkansas has 500 and there are 10 or 12 States that have one or two measures, and I was wondering if you could elaborate just a little bit on the appropriations processes as they go around the country.

Mr. SNELL. Thank you, Mr. Chairman, I think the greatest single difference between the Federal and the State appropriations process is that State governments, State legislatures do not regularly use the authorization process that is so much a part of money management in the Congress. Any authorization process that occurs in State legislatures is at the inception of a program when a program is statutorily created and it isn't repeated after that. What States tend to have is a combined authorization and appropriations process that does not separate them into components. The number of bills is a striking feature, but I think you would see in States that use one omnibus appropriation bill that it is quite similar to the result you would get if you pasted the 500 Arkansas bills end to end. The number of bills doesn't mean that the process is more fragmented in Arkansas or more consolidated in the State of Texas with the 2000-page appropriations bill.

I say also that the process in States is as a rule a little more centralized than it appears to me to be in Congress in the sense that

leadership in State chambers works very closely with the chairs of State appropriations committees to divide available funds and to watch the use of available funds in the course of the process. Much less centralized attention is given to the policy side of the decision making in State legislatures. That is a fragmented matter.

And finally, I would say that legislatures echo the practice in Congress, as I understand that, in that there is a substantial gulf between the work of the policy committees and the work of the fiscal committees of legislatures. Over the past 20, 25 years there has been a steady fiscalization of the policy-making process in State legislatures that is observable in, I think, every State. Fundamental decision making has moved to the budget or finance or ways and means committees.

The CHAIRMAN. Thank you very much. Thank you both very much and again we will have written questions. We hope you will respond to those and we look forward and appreciate your very helpful insight.

Okay. We are now going to go to our final witness coming to us all the way from beautiful Monterey, California. We are happy to welcome my very good friend and former colleague. As I said, he was the Director of Office Management and Budget, Chairman of the Budget Committee, and White House Chief of Staff and has what I think will be a very interesting and helpful perspective. I will tell you, Leon, we have had our colleague Lee Hamilton and three panels precede you on this program and so you are our clean-up batter here, and we look forward to your testimony. If you have prepared remarks, they will appear in their entirety in the record, assuming you have faxed them back here to us, if you haven't already, and we look forward to the statement that you would like to offer us. Thank you.

**STATEMENT OF THE HON. LEON PANETTA, DIRECTOR OF THE PANETTA INSTITUTE (via video conference)**

Mr. PANETTA. Mr. Chairman and members of the Rules Committee, thank you for this opportunity to discuss biennial budgeting. While I regret that I can't be there in person with you, David, I appreciate the opportunity at least to try to do this by video. Since I am here on the Monterey Peninsula I think I have the better part of the deal on location.

As I mentioned to you, in my first term, when I was Congressman for the 16th District in California, I believe it was in the 95th Congress, 1978, I introduced the first biennial budgeting bill in the House of Representatives, and I continued to reintroduce that bill in subsequent years with well over 40 cosponsors. You might be interested to know that the range of cosponsors went from people like Dick Gephardt and Al Gore to David Stockman. So we had a very good cross section of both Democrats and Republicans who supported those original biennial budgeting bills.

I am pleased that now this year, Year 2000, the Committee on Rules and hopefully the House and the Senate are seriously considering this very important reform.

As you may know, there has been a number of studies on various budget reforms over the years. I have participated in a number of hearings both before the Budget Committee as well as the Rules

Committee. There were reform task forces that were established that looked at these issues under our former colleagues. Congressman Butler Derrick had, as I recall, one task force. Tony Beilenson headed up another task force, and I guess what I would recommend to your staff is that they take the time to analyze all of that previous good work because I think it will give all of you a better sense of history on this proposal as well as the viewpoints of the Members.

I think it suffices to say as you well know that one Member's reform can be another Member's demise. Reform proposals are often viewed as threats to the status quo and to committee jurisdiction, but when the existing budget process is not working effectively or efficiently I really don't think you have any other alternative but to consider possible improvement. The challenge for your committee is to determine whether those reforms that the Congress considers will truly improve the way you do the business of the people or whether continuing crisis, as you have now in the budget process, is the preferred alternative. I think that is the choice. You either continue the kind of current crisis operation that you have with regards to the budget or you try to improve the process.

While the biennial budget is not going to resolve all of the budget problems that people confront, I think at the very least it will provide a more rational time frame for responsible budgets. After all, establishing a process for controlling decisions on expenditures and spending is why the budget was put into place in the first instance.

The modern day budget process developed in the cauldron of intrigue and concerns and disputes that eventually produced, as you know, the Congressional Budget and Impoundment Control Act of 1974. The principal goal of that legislation was to restrict the President's ability to impound spending, but it was also obvious to the Congress that it couldn't very well limit the President's ability to try to control spending and not do something to try to limit their own spending habits.

The original authors, people like Dick Boling, John Rhodes, Ed Muskie, tried very hard to bring some order to the Congressional decision making process. They were hamstrung by the imperative of always having to try to protect all existing centers of power, to try to make the new process appear as benign as possible because you have all of these power centers that were concerned about what the budget process would do to them, but the drafters of the Budget Act knew that while it would be a difficult time that they also recognized that Congress had an obligation to the people to try to operate within overall budget constraints.

The first budgets were the result of extensive negotiations. When the Budget Act passed and the first budget, I was around for some of those first budgets, they were the result of long negotiations between the leadership and the key chairmen and they were able to at least work out a negotiated approach to trying to resolve budget differences, but as deficits began to grow and multiply, it was obvious that stronger steps had to be taken in terms of enforcement.

I give you one example, Mr. Chairman. I was chairman at the time under Bob Giaimo when he was chairman of the House Budget Committee. He made me chairman of the Reconciliation Task Force. Reconciliation was the tool that was included in the original



Budget Act but was never used mainly because the chairman and the leadership did not want to see any kind of mandatory requirement passed in the form of reconciliation. It wasn't until the early eighties that we used reconciliation for the first time and it proved obviously to be a very important tool in the budget process.

There was a constant dilemma about how do you try to enforce the decisions that are made by the Congress, and what we went through was a period when we engaged in a number of budget summits and negotiations that really reflect a lot of what is in the present budget process today and as a member of the Budget Committee, as chairman of the Budget Committee, I think I participated in almost every budget summit that was held between the Congress and the administration at that time.

To give you a few examples, there was the Balanced Budget and Emergency Deficit Control Act of 1985, basically that was the Gramm-Rudman law, and what that did was it established deficit reduction targets and a process of sequestration which cuts across the board if those targets were not reached. As a matter of fact, we today still have sequestration in place. If certain targets aren't reached the administration can in fact cut across the board.

1987, there was another budget agreement that was negotiated, I was a part of that, between the Congress and the Reagan administration that produced further deficit reduction targets. The 1990 Omnibus Budget and Reconciliation Agreement was a huge agreement, negotiated as you may recall, over a summer. That was between the Congress and the Bush administration, and it established two very important tools of enforcement, discretionary caps and the pay as you go requirement. The 1993 Omnibus Budget Reconciliation Act extended those caps and the pay go requirements as did the 1997 Balanced Budget Act.

So for those that argue that somehow reforms don't make sense or you shouldn't look at them, the reality is that over the 20-year history of the budget process we have tried to make constant changes in reforms to try to improve the process. I have to tell you, that if you looked at the key reforms that were put in place, particularly discretionary caps and the pay-go requirements, there is no question in my mind that were it not for those enforcement tools there would be no balanced budget today because those were the tools that were needed to enforce the targets that were established.

I think whatever you do with regards to 2-year budgets, I would really strongly urge the Congress not to do anything that would impact on discretionary caps and the pay-go requirement. Those are very important tools. Don't get rid of them if you want to maintain budget discipline.

While I would like to emphasize is that reforms alone can't substitute obviously for the substantive decisions that have to be made on budget policies. They can ensure that once those decisions are made they will be effectively carried out. The point is that reforms can make a difference I think to the efficiency and effectiveness of the budget process, if they are carefully designed and implemented.

As you well know, any reform is only as good as the majority vote on the floor of the House. Since any requirement can be waived by the Rules Committee if it is supported by a majority vote, I think for any reform to succeed it must enjoy the broad sup-

port of the leadership, key chairmen and ranking members and a strong bipartisan cross section of both parties.

In addition, I don't have to remind you that there are no silver bullets in the budget process. For as long as I can remember there have always been Members that have tried to find that one simple and elusive answer to all of the budget worries that face the Congress. Whether it is a constitutional amendment to balance the budget or a line item veto or the Gramm-Rudman law, the reality is that the budget process is not just simply going to be saved by a single legislative act.

The budget process is a legislative process, and in that reality lies both its strength and its vulnerabilities. Nothing can replace, and I think that that should be emphasized, nothing can replace the fundamental trust between Members. That is essential to making any budget process work effectively.

I had the good fortune to have good Members like Bill Frenzel and Bill Gradison as my ranking members on the Budget Committee. We enjoyed and maintained a relationship of trust and confidence that no reform can replace. If somehow you can restore that kind of personal trust in the budget process there isn't a reform that you can enact that will not work, but in the absence of that trust few, if any, reforms can succeed.

But I am assuming that there will be a better relationship between the parties and the administration, and I believe that the result, biennial budgeting, is one of those reforms that makes very good sense for both the Congress and the executive branch to adopt for the following reasons, and let me just touch on the key points.

First of all, the present budget process is simply not working. It is broken. It is driven by crisis. Each year the budget resolution is delayed past the statutory deadline. The resulting delays occur then in the appropriations process. When a budget resolution is finally enacted, the targets often are so unrealistic that the appropriators have to delay the larger and more controversial appropriations bills until late in the fiscal year. The results obviously are continuing resolutions or several continuing resolutions until ultimately a negotiated agreement is worked out between the Congress and the President.

The sad reality is that in a government split by parties, crisis has become the key ingredient for forced budget decisions. The result is that more and more decisions are delayed well into the new fiscal year, and spending is already occurring in many programs. Ongoing spending needs rather than a careful evaluation of programs, let me repeat that, ongoing spending needs rather than a careful evaluation of programs is what drives decision making. While it may be too much to expect that a 2-year budget cycle will eliminate all crises, and I am not naive enough to believe that it will, in the very least it can confine the larger budget battles to one year instead of having them occur every year. And I have to tell you that simply providing that ceasefire, that time, I think is extremely important to providing perhaps a little better stability and a better relationship when it comes to budget negotiations.

Secondly, much better budget planning and management can take place under a 2-year biennial budget. Too many budget decisions by both the Congress and the administration are made on a

short-term basis rather than focusing on long-term funding needs, crisis management approach to budgeting forces, ad hoc spending decisions that are based not on the kind of long-term planning that ought to be involved in deciding how we spend taxpayers' dollars. The current process is very inefficient. The task of budgeting consumes a great deal of time and energy that could be better devoted to addressing programmatic issues in the longer term and in a more in-depth perspective. Not only is the Congress constantly in a crunch of making hit and miss budget decisions on programs, the executive branch is caught up in exactly the same problem.

During the months of September and October when Congress and the administration are typically negotiating final appropriations levels for the new year, the agencies and departments of the executive branch are beginning the new fiscal year operating under continuing resolutions while also expending great amounts of time trying to figure out what the spending levels will be for the next fiscal year. The problem is that until final decisions are made on the current spending year, it is impossible to determine what spending levels will be made for the next fiscal year. So both the Congress and the executive branch need the time to more carefully evaluate current programs and plan and manage funding needs for existing programs. Clearly a 2-year budget cycle will provide that needed time.

Currently greater program oversight is needed by both the Congress and the administration. I think the reality is that very few committees, and certainly it was the case when I was in the Congress and it was the case when I was in the administration, not enough time is given to oversight of existing programs that operate within the Federal Government. Only when a scandal breaks out or a GAO audit appears that there is a committee that takes the time to review existing programs, and that is often too late. Most committees will work on new authorizing legislation but give little attention to thousands of programs that are currently in the Federal budget.

The additional year will allow the committee to spend the required time reviewing the effectiveness of the programs that spend somewhere between 1.4 and \$1.8 trillion. In addition, the various appropriations subcommittees, while they do their annual reviews of programs under their jurisdiction, and I commend them for that because that is their job, I think they could do an even more careful job on hearings and studies if they had an additional year to review programming.

My view right now is both the administration and the Congress have fallen into a pattern each year where they repeat the same act. They present pretty much the same testimony on each program before the Appropriations Committee, same questions are asked, the same favorite programs are funded. And I don't think it would hurt either the members of the committee or those testifying to be subject to greater scrutiny.

The same oversight responsibilities could also be implemented within the executive branch. When I was Director of the Office of Management and Budget, that agency is responsible for reviewing the effectiveness of existing programs, but on a year-to-year basis where you are constantly developing budgets you don't have the

time to really do the kinds of in-depth reviews that need to be done with regards to existing programs.

Lastly, improved economic projections I think make 2-year budgets much more realistic. The reality is that the current state of economic and spending projections have improved greatly. We have a pretty good sense of how much is going to be spent over what period of time. As a matter of fact most current budgets usually do 5-year projections or even 10-year projections. While I am not saying that a 10-year projection is that exact, it is to say that a 2-year projection I think is well within the margin of error. You can predict pretty well what a program can expend over a 2-year period, and I think we have got the basis on which to know pretty well what a 2-year budget would look like.

It is important for Congress and the administration again to maintain obviously the right to make necessary adjustments in that off year, but it is also important that revisions are very limited and based on emergency needs. The last thing we want to have happen is to have a huge supplemental covering all 13 appropriations bills appearing every other year. I think that would destroy the 2-year budget process. I recognize there will be a temptation to do that. That is one of the criticisms of going to a 2-year budget, but both the President and the leadership are going to have to ensure that any supplemental is limited to essential revisions and emergencies.

As with all reforms, Mr. Chairman and members of the committee, a biennial budget will take careful work and preparation. Like any reform, biennial budgeting will not work if the process either becomes too inflexible or too open ended. For the process to work, the two branches will have to avoid the extreme and find the proper balance under which the major task of budgeting is carried out every 2 years. That balance will require essential cooperation between the branches.

In addition, I would strongly recommend—I think my colleague Jack Lew, Director of OMB, suggested this—that there be an appropriate transition period before the Federal Government and the Congress converts over to biennial budgeting. It has got to be recognized that this reform will constitute a very fundamental change in how the budget process operates, and a conversion to biennial budgeting will have to take into account the magnitude of the change that would be required, both in terms of the need to make necessary conforming changes to the laws as well as in terms of the need for both the Congress and the executive branch to develop and implement new practices for proposing, considering and enacting 2-year budgets.

I think a biennial budget built around a 2-year life of the Congress offers a better way for Congress to commit itself to continuing fiscal discipline and to better planning for the coming years. The bottom line here is the present system is not working, it just isn't. In the very least, this reform will provide the time necessary to move forward towards a more sound, effective and responsible budget.

Is there a risk involved in doing this? Of course there is. But is it a risk worth taking considering the crisis that currently surrounds the budget process, I believe it is, and for those reasons I

would therefore urge the committee to support and the Congress to adopt a biennial budget process.

Thank you very much.

[The prepared statement of Mr. Panetta follows:]

**Statement of The Honorable Leon E. Panetta,  
Director, Panetta Institute for Public Policy**

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to discuss biennial budgeting and other budget reform proposals. While I regret not being able to be with you personally in Washington, I appreciate your willingness to do this by video.

In my first term as Congressman from the 16th District in California during the 95th Congress, I had the honor to introduce the very first biennial budgeting bill in the House in 1978. I reintroduced the legislation in subsequent years, with over 40 cosponsors. I am pleased that some 20 years later, in the year 2000, the Committee on Rules and the House is now seriously considering this important reform.

As you know, there have been a number of studies and hearings over the years on serious budget reform issues, including biennial budgeting. I personally participated in a number of hearings before both the Budget and Rules Committees. Reform Task Forces of the Rules Committee were headed up by our former colleagues ? Congressman Butler Derrick and Congressman Tony Beilenson. I do hope that you and your staffs will take the time to analyze all of this previous good work in order to get both a sense of the history of this proposal as well as the various viewpoints of the Members.

It suffices to say that one Member's reform is another's demise. Reform proposals are often viewed as threats to the status quo and Committee jurisdictions. But when the existing budget process is not working effectively or efficiently, it makes sense to consider possible improvements. The challenge for this Committee is to determine whether the reforms will give the Congress the opportunity to truly improve the way it does the business of the people, or whether continuing crisis is the only political alternative. While a biennial budget will not resolve all of the current budget problems, it will, in the very least, provide a more rational time frame for responsible budgeting. And after all, establishing a process for controlling spending is why the budget was established in the first place.

The modern day budget process itself developed in the cauldron of political intrigue, disputes and concerns that produced the Congressional Budget and Impoundment Control Act of 1974. While the principal goal of the legislation was to restrict the President's ability to impound spending, Congress realized that it could not limit the President without taking steps to control its own spending habits.

The original authors tried hard to bring some order to the Congressional decision-making process. They were hamstrung by the imperative to protect all existing centers of power and to make the new process appear as benign as possible. The drafters of the Budget Act knew the new process would have a difficult time working, but they also recognized that Congress could not continue to operate without any overall budget constraints.

While the first budgets were the result of extensive negotiations between the leadership and the key Chairmen, as deficits continued to grow, it was obvious that stronger steps had to be taken. This dilemma was ultimately confronted through a series of legislative and negotiated agreements focusing on increased budget enforcement. Having participated in most of those early budget summits as a Member and then Chairman of the Budget Committee, the results of many of these changes are reflected in the existing budget process:

The Balanced Budget and Emergency Deficit Control Act of 1985 ? the so-called Gramm-Rudman Law ? established deficit reduction targets and enforcement procedures (sequestration); the 1987 Budget Agreement negotiated between Congress and the Reagan Administration produced further deficit reduction targets; the 1990 Budget Agreement negotiated between Congress and the Bush Administration established fixed discretionary caps and the pay-as-you-go requirement; the 1993 Omnibus Budget and Reconciliation Act extended discretionary spending caps and pay-go requirements through 1998; and the 1997 Balanced Budget Act further extended discretionary spending caps and pay-go requirements through 2002.

The purpose of these reforms was very simple ? it was obvious that, absent strong enforcement tools, the targets set for deficit reduction would never be achieved. There is no question in my mind that were it not for the reforms built into law by the various budget and reconciliation proposals over the years, we would have no balanced budget today.

While it must be emphasized that reforms alone cannot substitute for the substantive decisions that have to be made on budget policy, they can assure that once those decisions are made, they will be carried out.

The point is that reforms can make a difference to the efficiency and effectiveness of the budget process if they are carefully designed and implemented. Of course, any reform is only as good as a majority vote on the floor of the House. Since any requirement can be waived by the Rules Committee, supported by a majority vote of the Members, it is essential that for any reform to succeed, it must enjoy the support of the leadership, the key Chairmen and ranking Members of Committees, and a strong bipartisan cross-section of both parties.

In addition, I do not have to remind you that there are no silver bullets in the budget process. For as long as I can remember, there have been Members searching for that one simple and elusive answer to all of the budget burdens that have to be confronted: a Constitutional amendment to balance the budget, the line item veto, the Gramm-Rudman law, and on and on. There has always been the hope that somehow the budget process could be saved with a single legislative act of some kind. That is not the case.

The budget process is a legislative process, and in that reality lies both its strengths and its vulnerabilities. Nothing can replace the fundamental trust between Members that is essential to making any budget process work. When good members like Bill Gradison and Bill Frenzel were my ranking Members on the Budget Committee, we enjoyed and maintained a relationship of trust and confidence that no reform can replace. If somehow you can restore that kind of personal trust in the budget process, then there isn't a reform you can enact that will not work. In the absence of that trust, few if any reforms can succeed.

But assuming that a better relationship can develop between the parties and the Administration, I believe that biennial budgeting is one of those reforms that makes good sense for both the Congress and the Executive Branch for the following reasons:

1. The present budget process is seriously broken. The present budget process is now driven by crisis. Each year, budget resolutions are often delayed past their statutory deadlines, with resulting delays in the appropriations process. When a budget resolution is finally enacted, the targets established are often so unrealistic that the appropriators have to delay the larger and more controversial bills till late in the fiscal year. The result is a continuing resolution, or several continuing resolutions, until a negotiated agreement is arrived at between the Congress and the President. The sad reality is that, in a government split by party, crisis has become the key ingredient to force budget decisions. The result is that more and more decisions are delayed well into the new fiscal year when spending is already occurring in many programs. Ongoing spending needs, rather than a careful evaluation of programs, is what drives decision making. While it may be too much to expect that a two-year budget cycle will eliminate all crisis in the first year, it will in the least confine the larger budget battles and negotiations to every other year, allowing both the Congress and the Executive Branch the time and the stability to better prepare and implement budget planning.
2. Better budget planning and management. Too many budget decisions by both the Congress and the Administration are made on a short-term basis. Rather than focusing on long-term funding needs, the crisis management approach to budgeting forces ad hoc spending decisions that are not based on any kind of long-range planning. As a consequence, the current process is very inefficient, and the task of budgeting consumes a great deal of time and energy that could be better devoted to addressing programmatic issues from a longer-term and more in-depth perspective. Not only is the Congress constantly in the crunch of making hit-and-miss budget decisions on programs, the Executive Branch is caught in the same turmoil. During the months of September and October, when Congress and the Administration are typically negotiating final appropriations levels for the new year, the agencies and departments of the Executive Branch are beginning the new fiscal year operating under continuing resolutions while also expending great amounts of time developing their budget request for the subsequent fiscal year. The problem is that, until final decisions are made on the current spending year, it is impossible to determine what the spending levels should be for the next. Both the Congress and the Executive Branch need the time to more carefully evaluate current programs, and plan and manage the funding needs of existing programs. Clearly, a two-year budget cycle would provide that needed time.

3. Greater program oversight by both the Congress and the Administration. The reality is that very few Committees of the Congress conduct the kind of thorough and essential oversight of existing programs that fall within their jurisdictions. It is only when a scandal occurs or a critical GAO audit is published that Committees take the time to review certain programs, but that's often too late. Most Committees will work on new authorizing legislation, but give little attention to the thousands of programs currently in the federal budget. The additional year would allow for the Committees to spend the required time reviewing the effectiveness of programs that spend over \$1.4 trillion. In addition, the various Appropriations Subcommittees which do their annual reviews of programs under their jurisdiction could do even more careful hearings and studies. The reality is that both the Administration and the Congress have fallen into a pattern each year where the same testimony is presented, the same questions asked, and the same favorite programs funded. It would not hurt either the Members of the Committee or those testifying to be subject to greater scrutiny. The same oversight responsibilities could also be implemented within the Executive Branch. The Office of Management and Budget is supposed to be constantly reviewing the effectiveness of existing programs. But the year-to-year budget process makes this at best a hit-and-miss process. They could use the additional time to better fulfill their responsibilities as well.
4. Improved economic projections make two-year budgets realistic. The reality is that the current state of economic and spending projections have improved, so that both the Congress and the Executive Branch have a pretty good idea of what a program can or cannot spend over a two-year period. Indeed, current budgets have gone beyond the five-year projections to ten-year projections. While that is not to say that projections that far out are exact, it is to say that two-year projections are well within the margin of error. It is important that Congress and the Administration always maintain the right to make necessary adjustments. However, it is also important that revisions are limited and based on emergency needs, and not just on additional spending appetites. The one thing that could destroy the two-year budget is if a huge supplemental, covering all 13 appropriations bills, appears every other year. I realize the temptation to do this, but both the President and the leadership must ensure that any supplemental is limited to essential revisions and emergencies.

As with all reforms, a biennial budget will take careful work and preparation. Like any reform, biennial budgeting will not work if the process either becomes too inflexible or too open-ended. For the process to work, the two branches will have to avoid these extremes and find the proper balance under which the major task of budgeting is carried out every two years. That balance will require essential cooperation between the branches.

In addition, there will also have to be an appropriate transition period before the federal government and the Congress converts over to biennial budgeting. It must be recognized that this reform will constitute a very fundamental change in how the budget process operates. A conversion to biennial budgeting will have to take into account the magnitude of the change that would be required, both in terms of the need to make necessary conforming changes to those laws that presume the proposal and enactment of annual appropriations, as well as in terms of the need for Congress and the Executive Branch to develop and implement new practices for proposing, considering, and enacting two-year budgets.

A biennial budget system, built around the two year life of each Congress, offers a better way for Congress to commit itself to continuing fiscal discipline and to better planning for the coming years. Besides improving budgeting and planning capabilities, such a system would allow sufficient time to examine programs and find areas within current-year budgets where responsible cuts, reductions, and funding increases can be made.

The present system is not working. In the very least, this reform will provide the time necessary to move toward more sound, effective, and responsible budget making. Is there a risk involved in enacting this reform? Of course. Is it a risk worth taking, considering the crisis of the present budget process? I believe it is. I would urge the Committee to support, and the Congress to adopt, a biennial budget process.



The CHAIRMAN. Thank you very much, Leon. That is very helpful and you come before us with an extraordinarily unique perspective obviously having served as chairman of the Budget Committee and as Director of the Office of Management and Budget, and I would like to take advantage of the very unique and important experiences that you have had by just making some comments and then raising a number of questions, and I will just throw a few things out and let you expand on them if you will.

For starters, one of the concerns that has been raised by some of the opponents is that we would see a dramatic increase in the number of supplemental appropriations bill. They believe that would be a problem and I wondered if you might comment on that.

Second, critics have also said—your most recent experience has been the executive branch level so you are not concerned about the prospect of ceding greater authority to the executive branch. We have had testimony from Lee Hamilton this morning in which he said in fact that he believed the opposite to be the case, that biennial budgeting would enhance our abilities here to have greater authority, but we would appreciate your thoughts on that.

And having been at the OMB and having done your work as Budget Committee chairman, there are some who argue that if we were to go to a 2-year cycle that somehow agencies would be less responsive than they are today under the annual cycle that we have.

And then another point that you raised I would like you to expand on if you could, and that is the question of the 2-year projections and the fact that you are saying that they are basically within the margin of error, and I wonder if you could possibly elaborate a bit on that.

So I think that gives you enough to respond to. I see you taking notes on those things.

Mr. PANETTA. Thank you. I think the first issue that I recall even in some of these first hearings we had on biennial budgeting was the concern about whether or not there would be additional supplementals that would be offered as a consequence, and clearly there is that danger, unless both the President and the Congress make very certain that supplementals ought not to be presented unless they adhere to what I think are pretty much the present guidelines.

Number one, that it should deal with emergency needs. Obviously if there is a Kosovo or a Persian Gulf or some kind of military contingency, then obviously that would demand a supplemental, and if indeed there are disasters that take place in the country, that too ought to provide a basis for supplemental requests. But I would restrict the supplemental to emergencies and those kinds of needs as opposed to simply using the supplemental as a vehicle to increase spending in other areas.

Now, to get that accomplished, as you know, both the Congress and the President pretty much have to agree as to what those guidelines will be. They can be abused. They can be abused both by the President and by the Congress, but I think if this is going to work there has to be an agreement that you are not suddenly going to have additional supplementals provided. I think there is

no need for more than one supplemental being offered in the off year to try to meet any contingencies that are involved, and I would limit—very frankly, I would limit any supplemental to one proposal in the off year. I don't think there is a need to do more than that.

So there are ways to try to limit that but clearly it is going to take both the President and the Congress agreeing that supplementals have to be limited to emergencies, they have to be limited to urgencies that are deemed to be the case by both the President and the Congress.

Secondly, on the greater authority, I have heard also the criticism about ceding greater authority to the executive branch. I don't believe that for a minute because I have to tell you, the one thing that worries the hell out of an agency head is having to appear before the Congress, not just on spending requests because that has turned into kind of, you know, an annual presentation where they go and say pretty much the same testimony, and I have been on both sides of that. You give the same testimony, you present the same facts, you are limited in time and you know that if you basically get through those first few questions you are basically on your way to getting your funding.

What would frighten the hell out of me as an agency head is if I had to go up to Congress in an off year where that committee spends an awful lot of time going through every program under my jurisdiction and begins to question me about how are these programs working, what are they doing, how are they impacting, how much is being spent, how many bureaucrats are involved in the implementation of these programs. That kind of in-depth questioning process scares the hell out of anybody in the executive branch, and I think it would provide greater opportunity for those in Congress to be able to oversee existing spending programs, to oversee each agency and I would say that both, not only the appropriations committees which are pretty expert in terms of dealing with the particular programs under their jurisdiction, but I think the authorizing committees ought to do the same thing very frankly.

Authorizing committees—I was on the Agriculture Committee during the time I was in the Congress. I think we spent very little time looking at the myriad of programs that were established at the Agriculture Department. We were always interested in developing new programs. We were always interested in developing new spending but we spent very little time, very frankly, looking at existing spending programs.

So I would say I do not believe that in any way changes the balance, and if anything, I think it would provide Congress greater leverage in terms of reviewing ongoing spending than you have at the present time because right now this thing is so confined and so price oriented that I would wager to say that there are very few committees or members that really know exactly how these programs are working out in the field.

One of my frustrations as Director of the Office of Management and Budget was to be able to really look at a program in terms of how is it affecting, for example, if it is an education program or a program that involves children, how were the children being impacted by this program, who was involved with it, how was that

program being handled, to go into the field and actually look at how the programs work. Very frankly there is too little of that today, and I think more needs to be done in order to really be responsible how the dollars are being used.

On the 2-year time frame, the reason I think that—I think under the 2-year approach agencies, as I have said, would have to be even more responsive to the Congress. Right now, as I said, agencies have to make their presentation in a year and they basically then dance off. If they had to face a year of oversight with regard to the Congress—now, it does demand that Congress is going to have to therefore focus a lot more on oversight on existing programs and that the committee chairmen are going to have to establish a lineup for that second year in which they literally go through the agencies and through the departments and through the programs and establish, you know, a test of which programs they are going to review.

I think it will make the agencies even more responsive because they will know that it isn't just the same old act before the Appropriations Committee. It is going to be a much more in-depth analysis by the committees that they have to testify before.

And lastly, on the 2-year projection, my experience is that—you know, there was a time when I was first chairman of the Budget Committee when you hear all these projections and try and to figure out what kind of spending would take place in the program over a period of time, was the subject of a lot of conjecture, but I can remember working with both the staff of the CBO and OMB, sitting in a room and beginning to try to bring together those kinds of projections. Now, there are still some areas—I don't know whether it is still the case—for example, in defense spending areas or some areas where there hasn't been the concurrence with regards to projected spending as there has been in most other areas, but I would wager to say, you put CBO and OMB in one room, they can pretty much come to agreement on what a projected spending target is going to look like over a 2-year basis and almost any program in the Federal Government, and because of that I would feel very confident in enacting a 2-year budget because you have a very good sense of what can be expended.

Incidentally, a 2-year budget would provide, I think, even for the agencies and those departments a little more stability in the way they then fund their programs, because as you know right now on the year-to-year basis, the attitude still in the administration is spend it all as fast as you can because you don't want to wind up at the end of the year looking like you have got a surplus of some kind, and I think a 2-year budget would provide just the opposite incentive. It would make better managers out of people in the Federal Government who have to deal with that over a long period of time and be able to control their assets and be able to control their expenditures over that period of time. It would make a better manager.

The CHAIRMAN. Thank you, Leon. Let me just pose one final question to you, which you touched on, and see if I could get you to elaborate. When Jack Lew was here, the natural question was raised about the prospect of a new President. We all know that we are going to have a new administration coming next year, and the

question of a transition period is obviously out there, and you are a supporter of the idea of a transition period. Jack was uncertain as to exactly what that day—he said it really couldn't go beyond April in his testimony, but we do want to make sure that if we look at passing this legislation this year, which I am hoping we are going to be able to do—some have talked about having it not go into effect for the new administration until the next year, certainly not imposing this kind of tough double burden on them as they move into position.

So I wonder if you maybe could elaborate on what you would envisage as the transition period that would be best for dealing with this.

Mr. PANETTA. Well, I think that when I went from the Congress as chairman of the Budget Committee to Director of OMB I had a pretty good sense of what the challenges would be and what the time frames would be. I don't know that you can assume that that kind of expertise is going to be present necessarily if a new administration comes into place, and a new President is going to want to take the time to kind of look at what the budget process is all about and also to be able to begin to define whatever that President's priorities are going to be, and in addition to that, the Congress is going to have to make the adjustment as well.

So I guess my view would be that you would do well to consider probably not implementing this in the very first year that a new President takes office. I would probably give it at least a year or couple of years to make the transition and then require that a 2-year budget be submitted by the administration, either that next year or the third year for a 2-year period.

Now if you want to be able to, I think for a 2-year budget to work you have got to basically follow the 2-year cycle of the Congress. So it almost means that if you are not going to do it the first year of the new Congress, then you probably ought to transition this in probably either at the beginning of the third year really of a new President. I don't know that you can do it if you try to do it much earlier, although, again, it isn't that complicated, Dave, to be able to do this. It really isn't. If you work on budgets, the ability to then take an annual budget and stretch it out, instead of just 1 year and stretch it out over a 2-year period, you know, from a point of view of the agencies and departments, I think that can be done.

So I guess probably the one way to try to do this responsibly is to provide at least some transition period at the beginning, but I would not extend it too far out because if you do you are going to lose the impetus in passage of the 2-year budget.

The CHAIRMAN. Well, Leon, let me say thank you very much. We appreciate the perspective that you have offered and the time and effort that you have put into what is very helpful, prepared testimony and your response to the questions.

Let me say that we are going to have some written questions that we would like you to respond to if you would be willing to do that, and also, I will tell you that you look great and you are in a California. I won't be there until tomorrow morning, so I am jealous right now. But I am looking forward to being back in our great State tomorrow.

Mr. PANETTA. It is great weather and I guess our candidacy was always subject to the question of leaving California.

The CHAIRMAN. I remember so well that early on in 1981 someone said to Ronald Reagan, well, would you like to move the capital to California, and the response that people like you and I would offer, no, please don't do that because we might get serious opposition in our campaigns if we were to move the capital to California. But let me thank you very much again for your very thoughtful testimony and your fine service to the country.

Mr. PANETTA. My best to you and the other members of the committee.

The CHAIRMAN. Thank you very much, Leon, and with that the committee stands adjourned.

Additional material submitted for the record.

[A letter from the Senior Executive Association:]



## SENIOR EXECUTIVES ASSOCIATION

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MAR 2 2000

The Honorable David Dreier  
Chairman  
House Rules Committee  
H-312  
Cannon House Office Building  
1<sup>st</sup> Street and Independence Avenue, SE  
Washington, DC 20515

Re: Rules Committee Hearing on the Biennial Budget Bill

Dear Mr. Chairman:

We request that this letter be included in the record of your March 10, 2000 hearing regarding the proposed legislation calling for a biennial budget.

The Senior Executives Association (SEA) represents the interests of the career Senior Executive Service (SES) and other career executives in equivalent positions. Many members of our Association are in positions which involve extensive participation in the budget process, and, in addition, the Association takes a continuing interest in issues pertaining to good government. We perceive the biennial budget proposal to be such an issue and, therefore, appreciate the opportunity to express our views on the subject.

The Association recognizes that the biennial budget issue is a complicated one, and that not all arguments which the proposal engenders weigh on the same side. Moreover, it is likely that the feasibility of having a biennial budget may vary somewhat, depending on the agency and its particular needs. On the whole, we believe that the pros outweigh the cons and, therefore, support the proposal for a biennial budget wherever circumstances prove it feasible.

First and foremost, it is obvious that the government, like much of the private sector, has been seriously downsized in the past few years. To "make do with less" is the order of the day. Since budget preparation and presentation takes such a large portion of so many officials' time, it would seem that to do it half as often - with the resultant time savings - would be a highly desirable goal. The savings of time would, in the same way, benefit congressional committees and their staffs, who would have only half as many budgets to review and oversee, freeing up huge blocks of time for other important issues and activities.

The budget process itself is costly. Therefore, a biennial budget would save considerable money. Fewer studies, charts, exhibits, and work-hours spent would save not only time but dollars – resources better spent on the substance of programs than on their annual justification. Given the implementation of the Government Performance and Results Act, which will provide ample opportunity for reviewing programs, this would seem especially true.

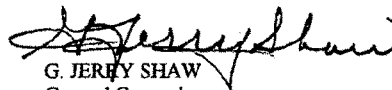
The longer-range planning inherent in biennial budgets would, we think, provide a more meaningful perspective in which programs could be managed and evaluated. To the extent that uncertainty about long-term funding is reduced, program management would be improved. While agency officials might be pleased at the degree of freedom from annual congressional review which biennial budgets might provide, they could expect to be held more accountable through greater oversight by Congress of the effectiveness of programs whose appropriations were assured for a longer term.

We appreciate the opportunity to make our views known.

Sincerely,



CAROL A. BONOSARO  
President



G. JERRY SHAW  
General Counsel

cc: Vince Randazzo  
Majority Staff Director

George Crawford  
Minority Staff Director

[Questions and Answers submitted by witnesses]

QUESTIONS AND ANSWERS SUBMITTED BY JACOB L. LEW

**1. One of the concerns that has been raised with biennial budgeting is the difficulty of projections. In your prepared testimony you mention the need for the President to do a mid-cycle review and to have the opportunity to propose orderly changes and for Congress to have the opportunity to respond. Could you elaborate on how both the President and Congress could do this?**

I believe that the mid-cycle review could be largely based on the existing mechanisms that the Executive and Legislative Branches have for identifying areas where spending revisions need to be made, to respond to changing circumstances or evolving priorities. Having enacted appropriations for each year of the biennium, Congress and the President would not need to revisit the entire Budget, as we do now each year. Instead, in the mid-cycle review, the two Branches could focus on those areas where change is needed.

A formal process for a mid-cycle review could serve to help address the increase in supplemental requests and appropriations bills or the need for rescission proposals that would likely result from a shift to biennial budgeting (a concern raised in question 10). Of course, additional supplementals and rescissions could still be considered outside a mid-cycle review, just as they are under the existing annual process. But a mid-cycle review could create an orderly process to minimize the increased burden.

I believe that this would allow both Branches to devote the proper attention to ensuring that the Budget responds to changing circumstances and evolving priorities, while still saving a substantial amount of time that is currently devoted to budgeting and which could be redirected to longer-term planning and management initiatives.

**2. In testimony before the Senate Governmental Affairs Committee in 1997, OMB Director Frank Raines with respect to biennial budgeting legislation (S.261) stated:**

"If there is any one area that I have found, since I have been in this job, to be lacking, it is time for the senior managers in the government to focus on actually implementing the laws that Congress has passed. This bill, I believe, would go a long way to focusing the attention of managers on actually performing, as opposed to planning and looking forward to the budget process in subsequent years."

**Do you agree that biennial budgeting would allow program managers more time and resources to devote to actually managing programs in the short run and planning for programs in the long run?**

Yes, I do believe that biennial budgeting has the potential to allow program managers to spend less time on budgeting, and to devote the time that is saved to longer-term planning and management initiatives.

**3. Can you describe the steps involved in the process for developing a President's budget? Congress seems to be constantly working on the budget. Are the agencies and OMB also constantly working on the budget?**

Yes, OMB and the agencies are always working on the budget. In fact, we are always -- or almost always -- working on three budgets at the same time: (1) We are executing the enacted appropriations acts, other spending laws, and revenue laws in effect for the current fiscal year; (2) we are working with Congress as it drafts and passes such laws for the upcoming fiscal year; and (3) we are working on the President's budget for the fiscal year following the upcoming fiscal year.

Here, briefly, are the steps that are involved in developing the President's Budget: (1) in the spring before the President submits the Budget to Congress, OMB -- working with other Presidential advisors and within general budget and fiscal policy guidelines established by the President -- develops planning guidance for the agencies, to be used in developing their budget requests, which the agencies submit to OMB in September; (2) in the spring and summer, each agency carries out an internal budget process to develop their budget requests; (3) during the summer, OMB and the agencies have a continuing dialogue on budget issues; (4) in September, agencies submit their budget requests to OMB; (5) during the fall, OMB conducts an intensive review of the agencies' requests, resulting in



OMB "pass-backs" to the agencies, and the resolution -- in coordination with the President and his senior advisers -- of the agency appeals of the "passbacks," with final decisions reached usually by late December; and (6) in December and January, OMB and the agencies carry out the intensive work required to produce the budget documents that are transmitted to Congress on the first Monday in February.

**4. One of the perceived benefits of biennial budgeting is the ability of the executive branch to devote more time and resources to the management of programs. As you know, under the current annual budget process, agency heads are required to provide OMB with periodic data updates during the course of a year. Under biennial budgeting how would you envision these internal control mechanisms operating?**

If biennial budgeting legislation were enacted, OMB and the agencies would have to review our procedures, to determine what changes to our budgetary reporting procedures would be necessary or desirable. That is among the reasons why a transition period is needed before biennial budgeting becomes fully effective. At the present time, I would expect that OMB would generally maintain the existing internal control mechanisms in their current form.

**5. Do you think that under the current budget process there is a preoccupation with budget projections and resources allocation as opposed to actually running programs and reviewing how they are operating?**

I would not say that there is a "preoccupation" with budget matters as opposed to program management and review. Making budgetary decisions is a very important governmental responsibility -- and so is program management and review. To be effective, the Government needs to do both well. I do believe, though, that budgeting does take up a substantial amount of time, and that the time which has to be devoted to budgeting appears to be increasing over the years. It would be desirable if we could reduce the amount of time that is devoted to budgeting, and redirect this saved time to program management and review.

**6. As you know, the current budget process only accounts for changes in mandatory spending and revenues that result from legislative action. OMB and CBO hold the budget harmless for changes in spending or revenue levels caused by administrative, economic or technical changes. Do you think it would be possible and advisable to utilize this existing mechanism (or a modification thereof) as a way of handling such changes in the budget under a biennial process?**

I believe that the existing "paygo" system could, and should, continue to be used under a biennial budgeting process. One of the issues that will need to be addressed as biennial budgeting legislation receives further consideration is whether any technical revisions are needed to the paygo system so that it will reflect a biennial budgeting process.

I do not believe, however, that a conversion to biennial budgeting would require that any substantive changes be made to the paygo system. Any proposals for making substantive changes to the paygo system need to be addressed on their own merits.

It is true that administrative, economic, or technical changes are likely to have a greater impact during a two-year period than during one year. A mid-cycle review could help Congress and the Administration address those concerns, as well as changes in discretionary programs.

**7. In your prepared testimony, you state that a conversion to biennial budgeting will need to take into account "the need to make necessary conforming changes to those laws that presume the proposal and enactment of annual appropriations, as well as in terms of the need for Congress and the Executive Branch to develop and implement new practices for proposing, considering, and enacting biennial budgets." Which exact laws are you referring to here and what new practices for the Executive Branch did you have in mind?**

In terms of the conforming changes to laws that will need to be made to adjust to a biennial budgeting process, three such laws are the Congressional Budget Act, the provisions of Title 31 of the U.S. Code that address the budget process, and the Government Performance and Results Act. A review will also need to be made of the Budget

Enforcement Act to determine whether any conforming changes are necessary.

In terms of the new practices that will have to be developed and implemented, I believe that this area will be a principal focus of the Legislative and Executive Branches during the transition period from annual budgeting to biennial budgeting. The existing practices are the product of annual budgeting for over two hundred years. It will take some time to "reinvent" these processes so that they will work effectively for a biennial budgeting process.

**8. During the hearing there was a detailed discussion of the need for a thorough and well thought out transition plan to be included in any legislative vehicle implementing biennial budgeting. There are a couple of follow up questions on that topic:**

**How long of a ramp up period do you think is necessary to ensure that both the executive and legislative branches are ready to implement this new process?**

**Specifically, how long will it take agencies to obtain the ability to prepare, propose and manage two year budgets?**

**Would you suggest that biennial budgeting be phased in over some set time period with certain portions of the budget moving to a biennial schedule one year followed by others? If not, would you advocate not moving any budget submissions to a biennial schedule until the entire budget is ready to proceed in that direction? If so, would the Department of Defense be the most likely first candidate for such a transition?**

If biennial budgeting legislation were enacted this year, I believe that a transition period would be necessary under which the complete transition to biennial budgeting would not occur until the third year of the incoming Administration. As I testified, it is a substantial enough task for an incoming Administration to develop and submit a one-year Budget proposal soon after the President takes office. It would be too much to expect any incoming Administration, upon taking office, to have to develop and submit the Federal Government's first-ever biennial Budget proposal. In addition, to convert from annual to biennial budgeting, OMB and the agencies will need some time to develop and test new procedures, and I expect that the Congress will also need some time to do so as well.

A phase-in will be necessary if the transition to biennial budgeting is to be successful. One possible approach would be to convert certain parts of the budget first, with other parts of the budget converted later. If this approach were adopted, however, it should involve not only the President proposing a biennial budget for the first wave of agencies, but also the Congress passing biennial appropriations for those agencies. Although biennial budgeting has been required for the Defense Department, and the President has proposed biennial budgets, Congress has continued to pass only one-year appropriations. We do not believe that continuing this approach makes sense, and that is why the Administration has proposed the repeal of this agency-specific biennial budgeting requirement for the Defense Department.

Another approach for a phase-in is the non-binding, "notional" second-year budget I discussed in my testimony. This would involve a "notional" budget for the second year of the first two-year cycle, even though funds for that cycle would continue to be provided on an annual basis. During the budget process for that second year, OMB, the agencies, and Congress could compare the notional budget to what is actually happening in the "real" process for that year.

A third option would be to begin full-fledged biennial budgeting in the third year, without using selected agencies or another type of formal phase-in. Congress, OMB, CBO, and the agencies could use the two year transition period to prepare their internal budgeting systems and procedures.

There are likely other approaches to the transition to biennial budgeting that merit careful consideration. Determining the best approach and ensuring a smooth transition will require extensive discussions between OMB, the agencies, Congress, and the CBO. These discussions will be necessary both as we develop and consider biennial budgeting legislation and after its enactment.

**9. What role would you envision reconciliation playing under a biennial process specifically in the off year?**

Reconciliation has come to be used to make substantive changes in mandatory spending and revenue laws, in conjunction with appropriations acts and as part of an overall budget plan. Ideally, under a biennial budgeting process, such changes would be made in the same year that the biennial appropriations are enacted. The Legislative and Executive Branches could devote the second year of the biennium (the off-year) to undertaking a closer programmatic examination of these programs and laws.

However, it is no more realistic to assume that we will never want to make changes in mandatory spending and revenue laws in the second year of a cycle than it is to assume that we will never want to consider supplemental appropriations or rescissions in the second year. If a mid-cycle review suggests the need for changes in mandatory spending or revenue laws in the second year, then reconciliation could be an appropriate vehicle for such changes, just as it is today.

**10. There has been concern expressed that a biennial budget process would yield more and larger supplemental spending bills in the non-budget years, as Congress and the Administration sought to make corrections or changes to the budget laid out in the prior year. Do you share this concern? What if any procedural/technical provisions should we be considering to ensure that the supplemental spending process does not spiral out of control?**

As I noted in my testimony, there will be a need for supplemental appropriations during the second year of the biennium. However, supplemental appropriations will need to be addressed in an orderly manner, so that we don't end up adopting an essentially disordered and endless budgeting process -- which would not be an improvement over the current process. One approach that would assist the Branches in reaching this balance would be to have the President submit a mid-cycle budget proposal -- in which the President would propose, in a consolidated manner, the changes that he believes need to be made to address changing circumstances and evolving priorities. It will require more than procedural changes, however. To make biennial budgeting work effectively, both Branches will have to proceed in a spirit of comity and will have to be sensitive to the need to ensure a balance between having a budgeting process that is too rigid, on the one hand, and a budget process that becomes endless or chaotic, on the other. This kind of "cultural" approach cannot be legislated or imposed through procedures.

**11. Some people consider the issue of biennial budgeting to be one of institutional concern, arguing that by giving up annual action on appropriations the Congress would be ceding power to the Executive branch. What is your assessment? Do you think that agencies would be less responsive to Congress under a biennial budget process?**

While I respect the concerns of those who believe that biennial budgeting will shift power between the two Branches, I do not share this concern. I have spent nearly two decades working in the Legislative and Executive Branches. Based on this experience, my belief is that Executive Branch officials are very responsive to Congress. I do not believe that, under biennial budgeting, Executive Branch officials would become less responsive to Congress. That is because biennial budgeting would not alter the fundamental reality that, under the Constitution, Congress has "the power of the purse." Rather than reducing the power of Congress, biennial budgeting could make agencies even more responsive to Congress, because Congress could devote the time that is saved during the second year to increased programmatic review and oversight. Moreover, mid-course corrections would continue to require cooperation between the Legislative and Executive Branches.

**QUESTIONS AND ANSWERS SUBMITTED BY DAN L. CRIPPEN**

**1. "How would a biennial budget process impact upon the work done by CBO? What changes would need to be made in order to ensure that CBO could provide proper support to Congress in a biennial process?"**

In general, a biennial budget cycle is unlikely to have a major effect on CBO's duties, responsibilities, or workload. CBO's work is closely tied to that of the Congress; as long as the Congress continues to meet and consider legislation annually, our workload would not change appreciably. For example, CBO would continue each year to prepare its annual budget and economic outlook report and would continue to update that report in the summer. CBO would also continue to prepare cost estimates on all reported legislation, scorekeeping reports of legislative action affecting the budget, and analyses of various budget and program issues as requested.

Moreover, although the Congress would adopt a budget resolution only in the first session, it would probably consider revisions or adjustments to the resolution during the second session that could require substantial assistance from CBO. CBO would also continue to review and evaluate the Administration's budget submissions, including any midcourse budget proposals or reestimates.

In sum, it does not appear that a biennial budget process would necessitate any changes at CBO to ensure that the agency continued to support the Congress in its budgetary deliberations.

**2. "Taking your point about the potential difficulty in separating budget and non-budget issues to fit the cycles of a biennial budget process, what specific criteria and enforcement mechanisms would you suggest should be adopted to ensure that a biennial system could be made to work in practice?"**

If most lawmakers were firmly committed to a biennial budget process, additional rules to ensure that it worked would not be necessary. One potential benefit of a biennial budget cycle is that it could help smooth the appropriation process by providing additional time for lawmakers to consider separately and enact the authorizing legislation and other matters that have sometimes delayed consideration of major budget legislation, especially appropriation bills. If lawmakers choose not to use a biennial budget process in that way, additional rules seem unlikely to force that separation or to make the legislative process smoother.

**3. "Some critics of biennial budgeting have suggested an interim step of applying the two-year process to only certain agencies or programs as a sort of 'pilot' project. Do you see any value in taking this incremental approach? What would be the pros and cons of implementing biennial budgeting on a case-by-case basis?"**

A pilot-project approach to biennial budgeting is unlikely to yield the benefits sought from a complete conversion to a two-year budget cycle. If the budget process remains on an annual cycle generally, then two-year appropriations for certain programs would essentially provide regular appropriations for the first year and advance appropriations for the second year. Lawmakers would continue to consider budget and appropriation legislation for most other activities on an annual basis.

Such an experiment might garner useful information from executive branch agencies about the advance planning needed under a two-year system. But it might not give the Congress the additional time it is seeking for program oversight and review.

4. "There has been concern expressed that a biennial budget process would yield more and larger supplemental spending bills in the non-budget years, as Congress and the Administration sought to make corrections or changes to the budget laid out in the prior year. Do you share this concern? What if any procedural/technical provisions should we be considering to ensure that the supplemental spending process does not spiral out of control?"

Whether lengthening the budget cycle to two years would cause greater reliance on supplemental appropriations is not clear. On the one hand, appropriating for two years at a time increases the chances that unforeseen events and demands on spending from other sources will overtake appropriations enacted over a year earlier. Those factors make supplemental appropriations a routine part of the annual appropriation process and are likely to be even more prevalent in a longer budget cycle. On the other hand, a two-year appropriations cycle might improve the ability to plan and to manage resources, thereby enhancing efficiency and spending control.

There are other factors unrelated to the length of the budget cycle that may also create conditions that give rise to supplemental appropriations. For example, in recent years the size of supplemental appropriation acts may have been influenced by the relatively restrictive limits on total discretionary appropriations set forth under the Balanced Budget Act of 1997. Those limits have prompted lawmakers to rely increasingly on emergency appropriations, which are effectively exempt from the limits, to maintain higher levels of total appropriations than the limits would have allowed. Substantial amounts of those emergency appropriations have been included in supplemental appropriation laws.

In making procedural changes to control supplemental appropriations, whether in a biennial cycle or in the current annual process, lawmakers should be careful to balance the need to respond quickly to genuine emergencies or other unexpected events with the need to control spending. One possible method for controlling such appropriations would be to create a strict statutory definition of "emergency" that could be used to certify the types of provisions that may be deemed emergencies. Of course, that change could be implemented in either a biennial or an annual cycle of appropriations.

5. "Some people consider the issue of biennial budgeting to be one of institutional concern, arguing that by giving up annual action on appropriations the Congress would be ceding power to the Executive branch. What is your assessment? Do you think agencies would be less responsive to Congress under a biennial budget process?"

It seems unlikely that agencies would be less responsive to the Congress simply because they would be requesting regular appropriations every other year. Also, a biennial budget cycle, by setting aside time for Congressional action on oversight and authorizing legislation, might relieve the appropriation process of time-consuming debates on substantive policy issues, which could actually improve Congressional control of spending.

6. "As a budget technician, you are in a good position to judge whether there would be tangible savings in terms of time and effort on the part of the people whose job it is to put together budgets and implement them. Do you subscribe to the view that biennial budgeting would save significant time and resources which then could be applied to better program management and long-term efficiency?"

Yes, savings of time and resources are likely under a biennial budget process, although the extent of those savings is unclear. Although the duties of CBO are unlikely to change significantly, the resources used for budget preparation in the Executive branch could be reduced dramatically. Those

savings would be partially offset by the need to monitor spending, revise budget estimates, and modify budget proposals and laws as conditions change during the two-year cycle. However, if a two-year budget cycle enabled program managers to devote more attention to reviewing and evaluating federal programs, programmatic cost savings or other efficiencies could also be achieved.

7. "In your prepared testimony you raised the issue of updating a two year budget for changing economic and budget conditions. You suggest that the problem could be alleviated by including procedures in the budget resolution that would allow budget totals and allocations to be updated automatically for changing conditions. Would you elaborate more on what type of procedures you are suggesting?"

Such procedures could be patterned after the so-called reserve fund provisions now used to revise the budget resolution under specified circumstances. In general, reserve fund provisions empower the Chairmen of the House and Senate Budget Committees to revise budget resolution totals and spending allocations to committees under certain conditions—for example, when legislation is reported in a particular policy area or for updated budget projections. In some cases, the extent to which the Congress may consider certain spending or tax initiatives is contingent on those reserve fund adjustments. Such a process might be useful for updating a two-year budget resolution for new budget estimates or other changes.

8. "As you know, the current budget process only accounts for changes in mandatory spending and revenues that result from legislative action. OMB and CBO hold the budget harmless for changes in spending or revenue levels caused by administrative, economic or technical changes. Do you think it would be possible and advisable to utilize this existing mechanism (or a modification thereof) as a way of handling such changes in the budget under a biennial budget process?"

A biennial budget cycle could be meshed with the current mechanisms and practices for ensuring that budget legislation is consistent with the budget levels and other requirements that are enforced in the budget process. However, in a biennial budget cycle, it might be advisable to allow the underlying baseline used for budget enforcement to be adjusted for current economic and technical data in the second year of the cycle. Otherwise, spending or revenue legislation considered in the second session of a Congress would be based on less timely information and estimates of the legislation's budgetary effects could be less accurate.

9. "During the hearing, there was a detailed discussion of the need for a thorough and well thought out transition plan to be included in any legislative vehicle implementing biennial budgeting. There are a couple of follow up questions on that topic:

How long of a ramp up period do you think is necessary to ensure that both the executive and legislative branches are ready to implement this new process? Specifically, how long will it take agencies to obtain the ability to prepare, propose and manage two year budgets? Would you suggest that biennial budgeting be phased in over some set period with certain portions of the budget moving to a biennial schedule one year followed by others? If not, would you advocate not moving any budget submissions to a biennial schedule until the entire budget is ready to proceed in that direction? If so, would the Department of Defense be the most likely first candidate for such a transition?"

The major proposals for biennial budgeting call for the President to submit a budget and for lawmakers to act on budget legislation during the first session of each Congress. If a biennial budget process were to become law at the end of the 106th Congress, it might be advisable to use the 107th

to phase in the new cycle, delaying its full implementation until the beginning of the 108th. During the 107th Congress, agencies could begin preparing budgets, especially appropriation requests, for two-year periods. (For example, they could include second-year requests for planning purposes in the budget submitted during the second session of the 107th Congress.) At the same time, Congressional committees could begin to identify any problems or issues involved in fully implementing two-year budgets and appropriations and start to modify the cycle of expiring authorization laws to make them conform to a two-year budget cycle that would begin with each new Congress.

**10. "What role would you envision reconciliation playing under a biennial process specifically in the off year?"**

All of the major proposals for a biennial budget call for any reconciliation legislation to be enacted in the first session of each Congress. Because such legislation is a major vehicle for carrying out the policies reflected in the Congressional budget resolution, it would seem to make sense to consider reconciliation legislation as soon as possible after the resolution is adopted. However, if Congressional action on reconciliation legislation was pushed back into the second session to spread out the budget workload facing the Congress—or if it was simply delayed until that time—the budget baseline and the budget resolution levels, amounts, and reconciliation instructions would need to be adjusted for current economic and technical budget data.

## SUBMITTED QUESTIONS AND ANSWERS BY SUE IRVING

1. In your written testimony, you assert the importance of taking a longer view on matters involving fiscal management of the federal government. However, you note that there is no single, formal mechanism that helps to focus that "longer view." Is such a formal mechanism needed, in your view? What sort of mechanism would you argue is needed? What would it look like and how would it be enforced?

I don't really think that a new mechanism is needed for improving information about the longer-term budgetary consequences of various program and budget decisions. There are several ways that a longer view could be incorporated into budget decision-making under the current structure and process. The use of accrual budgeting for certain programs, like federal insurance and employee pensions in which the current cash-based budget measure does not adequately represent the extent of the government's commitment to make future payments, would lengthen the time horizon considered in budgeting decisions for those programs.<sup>1</sup> Increasing and possibly formalizing the use of modeling to simulate the fiscal and economic outcomes associated with alternative policy paths would inject a greater consideration of the long term and the effects of Social Security and health care. Mechanisms to incorporate consideration of such simulations might include points of order when certain growth rates are exceeded. Or if growth in a particular program exceeds expected growth by some specified percentage, the Congress could be required to vote to accept the growth or offer some alternative. Alternatively, the President could be required to initiate alternatives to address unexpected growth or to declare his support for accepting the growth.

We have suggested that Congress consider whether a new mechanism is needed to facilitate cross-cutting oversight. In testimony before the Senate Budget Committee in February 2000,<sup>2</sup> the Comptroller General noted that while individual authorization and oversight committees are well-suited to address performance issues affecting individual agencies or programs, many of the key performance questions are not confined to, and cannot be addressed effectively on, an agency-by-agency or committee-by-committee basis. Many areas are addressed by a wide range of mandatory and discretionary spending programs, tax expenditures, and regulatory approaches that cut across federal agencies and committee jurisdictions. The President is now required to prepare and submit to Congress a governmentwide performance plan including fiscal, management, and program performance expectations; however, Congress has no established mechanism to articulate performance goals, assess strategies to achieve these goals, or to define an oversight agenda based on crosscutting performance and management issues. One possible approach would be to modify the current budget resolution to include a "performance resolution" to permit the Congress to respond to, and present a coordinated congressional perspective on, the President's governmentwide performance plan. This might involve collecting the "views and estimates" of authorization and appropriation committees on priority performance issues, and working with the Governmental Affairs Committee and others to identify crosscutting performance concerns. This approach would be one mechanism to assist Congress in routinely using program performance information to enhance oversight.

2. Your testimony takes a close look at state experiences with biennial budgeting. Do you find this type of focus on the states to be relevant to the federal government's experience with budgeting? Critics of biennial budgets have argued that there are too many differences between the federal and state levels of government to make a proper comparison between the two. Based upon your research, what is your view?

I strongly agree with the proposition that extreme care should be used in extrapolating from state budgeting practices and processes to the federal level. As I noted in my statement, state budgets fill a different role, may be sensitive to different outside pressures, and otherwise are not directly comparable to the federal budget. Nevertheless, we can learn from them. What processes and institutions have been developed in the states where biennial budgeting is seen as successful? How well would those translate to the federal level? What would be the

<sup>1</sup> *Accrual Budgeting: Experiences of Other Nations and Implications for the United States* (GAO/AIMD-00-57, February 18, 2000).

<sup>2</sup> *Effective Oversight and Budget Discipline Are Essential--Even in a Time of Surplus* (GAO/T-AIMD-00-73, February 1, 2000).



impact on the balance of power between the Congress and the executive branch? Given the particular interest here in using a biennial cycle to strengthen oversight, it is worth looking at what the states do in that area—again, with the view that the mechanisms adopted by the states offer models or cautions for the federal government.

3. You allude in your testimony to the importance of considering the impact of a change to biennial budgeting on the relative balance of power. Could you give the committee your view of how this balance would be impacted should biennial budgeting (including appropriations) be implemented?

Annual enacted appropriations have been, and remain, a basic means of exerting and enforcing congressional policy. When agencies come before you to request funding, they expect to answer questions about how they have followed congressional intent. If the appropriations cycle is shifted from annual to biennial, what will replace this kind of oversight? The relative balance of power between branches is not dependent solely on any single process. Rather, it is the cumulative result of many processes and practices. My point was that a shift to a biennial appropriations cycle will change one set of congressional-executive interactions. In implementing such a change, attention should be paid to the cumulative effect of small changes on the relative balance of power.

4. A major argument in support of biennial budgeting is that it would free up the Congress to conduct more thorough oversight of federal programs and agencies. You touch on this point in your testimony. Could you elaborate on the current state of affairs with regard to the level of oversight that occurs in Congress under the existing annual budgeting system? What is your view of how a biennial process would impact oversight? What reasons would you give for the perennial lack of authorization for certain programs (current CBO assessment lists approximately 130 programs totaling more than \$120 billion that lack authorization)?

Oversight occurs in many ways and in many venues. I spoke of the need for a more global view of federal activities and an assessment of the way the government seeks to achieve its goals and objectives, a type of oversight that may not even fit within the current committee structure. Under the current structure, appropriations subcommittees provide oversight when they question agencies about planned and past performance. In fact, some of the strongest oversight can occur when funding is at stake. Whether a biennial process would increase oversight, and by whom, depends on how it is implemented. If appropriations were actually held to a biennial cycle with few “off-year” legislated changes, the appropriations subcommittees’ members would spend less time on appropriations—but since appropriations have long served as a vehicle for agency- or program-specific oversight, it is unclear how this would increase oversight in this forum. Since it is unclear what in the annual appropriations process is thought to hinder oversight by authorization committees, it is unclear how a shift to a biennial cycle would affect it.

It seems difficult to attribute what you refer to as the “perennial lack of authorization for some programs” to the annual budget cycle. Although we have not made a systematic study of this area, where appropriations are made without an authorization, the situation seems to reflect an agreement among the relevant players to proceed in this fashion. It is not clear that a change in the budget cycle would change the underlying issues that lead to a decision to proceed this way.

5. Do you subscribe to the argument that, without annual action on agency budgets, Congress would have ceded some of its power and would end up having less direct control over those agencies and programs?

The appropriations process is a compelling venue for agency oversight but it is not the only one. As I stated in my testimony, the shift to a biennial budget process will bring neither the end of congressional control nor the guarantee of improved oversight. Clearly a change in the appropriations cycle would change the nature of congressional oversight and control. Whether it would lessen that control would depend on how the change is implemented.

6. You discuss the DoD experience with biennial budget submissions. Some critics of biennial budgeting point to this example as evidence that biennial budgeting will not reduce redundancy or save effort. Is it possible to evaluate this partial experiment with biennial budgeting, given the fact (as you point out in your statement) that there have not been biennial authorization or appropriations for DoD?

The requirement to submit biennial budgets has caused additional workload for DoD because it must prepare estimates and justifications for the second year of a biennium twice—once when submitted as part of a biennial budget and again the next year since biennial appropriations have not been provided. We cannot really draw conclusions from the implementation of the DoD requirement because of Congressional reluctance to make biennial authorizations and appropriations. This reluctance would need to be overcome in order to implement biennial budgeting.

7. **Could you address the concern that, under a biennial budget structure, agencies would end up padding their budget requests to ensure adequate funding for the second year? How might this be impacted (or offset) by an agency's ability to obtain efficiency savings through longer planning horizons for management and procurement?**

It is difficult today for agencies to project funding needs for a fiscal year that will end 20 months after the budget is submitted. This will be even more difficult if the projection period is increased by 12 months. As a prudent manager, I suppose an increase in the time horizon over which I was asked to project funding needs would lead me to wish to round up. However, as long as there are discretionary spending caps, there is little room for what you refer to as "padding." I expect that there would be greater uncertainty about the second-year estimates than about the first-year estimates. You may need to institute an adjustment process to compensate for such uncertainty—although if adjustments become too widespread, then it is an annual cycle again. Agencies with substantial procurement activity generally have multi-year or no-year authority; thus many of the benefits of a longer planning horizon are already available.

8. **In your testimony you mentioned that since the mid-1960's, 17 states have changed their budget cycles. What has been the trend in these changes since 1990?**

During the 1990s only two states—Arizona and Connecticut—have changed their budget cycles. Both moved from annual to biennial: Arizona in 1999 and Connecticut in 1993.

9. **Can you elaborate on the differences and similarities between multi-year appropriations, forward funding and biennial appropriations?**

A multi-year appropriation is budget authority that is available for a specific period of time in excess of one year, typically for two, three, or five years. Forward funding is budget authority that generally becomes available for obligation in the last quarter of the fiscal year and the authority continues into the following fiscal year. Thus, it is budget authority which covers a period of time that does not coincide with the federal fiscal year. A biennial appropriations process, as defined in pending legislation, would provide funding for two one-year appropriations cycles. Multi-year authority and forward funding are two of the ways the Congress has shown its willingness to accommodate program cycles that are either different from or longer than a single fiscal year. Advocates view the shift to biennial appropriations as another way to ease budget execution by providing more certainty in funding over 2 years.

10. **As you know, the current budget process only accounts for changes in mandatory spending and revenues that result from legislative action. OMB and CBO hold the budget harmless for changes in spending or revenue levels caused by administrative, economic, or technical changes. Do you think it would be possible and advisable to utilize this existing mechanism (or a modification thereof) as a way of handling such changes in the budget under a biennial process?**

Limiting the amount of "off-year" appropriation actions will be achieved only if congressional and executive leaders are committed to making it happen. While it might be attractive to apply the "pay-as-you-go" concept to off-year changes under a biennial process, I think it would present problems, especially if the off-year changes were for emergency or unanticipated events—exactly the types of changes that most agree would be acceptable under biennial budgeting. For example, would PAYGO apply to legislation enacted in the off year in the aggregate so that

enactment of emergency legislation must be offset by enactment of some discretionary spending reductions at some point during the session of Congress? This could result in additional appropriations actions in what was to have been the year devoted to other congressional activities. Or would each piece of legislation be expected to contain its own offsets so that it is cost-neutral? This would possibly limit the number of new appropriations but may be difficult to achieve if the new appropriation is truly for an emergency. Would off-year appropriations be able to be offset by changes in the direct spending/receipts part of the budget, such as by revenue increases, or would the offset have to be from discretionary spending? The questions are complicated. We would be happy to sit down and work through the implication of various alternative approaches.

**11. During the hearing there was a detailed discussion of the need for a thorough and well thought out transition plan to be included in any legislative vehicle implementing biennial budgeting. There are a couple of follow up questions on that topic:**

- A. How long of a ramp up period do you think is necessary to ensure that both the executive and legislative branches are ready to implement this new process?**
- B. Specifically, how long will it take agencies to obtain the ability to prepare, propose, and manage two-year budgets?**
- C. Would you suggest that biennial budgeting be phased in over some set time period with certain portions of the budget moving to a biennial schedule one year followed by others? If not, would you advocate not moving any budget submissions to a biennial schedule until the entire budget is ready to proceed in that direction? If so, would the Department of Defense be the most likely first candidate for such a transition?**

Although I would defer to my colleagues at OMB and CBO who are more directly affected, it seems reasonable that it would take two or more years to fully implement this change because of adjustments to systems, processes, and guidance to agencies. Another consideration in timing the transition would be to avoid switching to a 2-year process in the first year of a new administration. Following initial implementation Congress may want to consider whether the calendar in the first year of a biennium is reasonable. Current proposals shorten the time available for appropriations action in the first session of the Congress – when all appropriations action is supposed to take place – by reducing the time between completion of congressional action on the budget resolution and the beginning of the biennium at issue by 1 month.

As I stated in an earlier question I would anticipate some degree of uncertainty or difficulty in developing estimates because of the longer time horizon between when these estimates are developed and when appropriations are enacted. Regarding budget execution, most agencies of any size are already managing multiple appropriations accounts that provide budget authority for various periods so this transition should not be difficult. Even agencies with annual appropriations should not have problems adjusting as long as budget authority is made available in two 1-year increments.

In general, I do not believe that there is any advantage in an incremental transition. Identifying stable agencies likely will be difficult – what may appear stable at a department or agency level masks greater volatility at the appropriations account level-- and I suspect that some candidates that are relatively stable may not be good test cases because of size. Having said this, DoD would be the department best positioned to go first. The mechanisms are in place and it does receive the largest portion of discretionary funds.

**12. What role would you envision reconciliation playing under a biennial process specifically in the off-year?**

I would expect that the reconciliation process would also become biennial when the Congress decides to use this procedure in the budget process.

# QUESTIONS AND ANSWERS SUBMITTED BY LOUIS FISHER

1. You have been before this Committee on a number of occasions in recent years to discuss a variety of budget process reform proposals. On most of those occasions, you have raised a voice of caution—and even outright opposition—to the proposals being discussed. It appears that you believe the current budget process—the status quo—to be functioning well enough to be preserved as is. Are there any budget reforms that you advocate?

In previous testimony, when I raised a voice of caution, it was because my function at CRS is to identify consequences that may not be anticipated. Congress was considering actions that could transfer some of its spending prerogatives to the executive branch. I did express reservations, but not because I supported the status quo in budget procedures. It was because of institutional and constitutional concerns. Although I worked on the Budget Act of 1974, I have been probably the most outspoken critic of its results and processes. For example, see my articles "The Budget Act of 1974: A Further Loss of Spending Control," in *Congressional Budgeting: Politics, Process and Power* (Johns Hopkins University Press, 1984), pp. 107-89; "Ten Years of the Budget Act: Still Searching for Controls," 5 *Public Budgeting & Finance* 3 (1985); and "Congressional Abdication: War and Spending Powers," 43 *Saint Louis U. L. J.* 931 (1999).

What budget reforms do I "advocate"? As a CRS analyst, it is not my role to advocate any particular policy option. I do think that budget reforms that encourage Congress to exercise its constitutional power of the purse, including the prerogative to decide budget priorities rather than transferring those spending decisions to the President, are more consistent with constitutional principles.

2. You conclude that political appointees are perhaps more likely than careerists to function in good faith in responding to the intent of Congress and upholding the requirements of the law when it comes to managing their agencies and programs. What evidence do you have to support such a conclusion? Can you provide specific examples.

There appears to be some confusion here. I testified that political appointees are perhaps *less* likely than careerists to function on a good-faith basis. Part of the reason for making that statement comes from the Volcker Report in 1989, *Leadership for America: Rebuilding the Public Service*. This study discusses the steady increase in the number of political appointees in the federal government from the 1950s to the 1980s, particularly "at the lower level executive ranks, to which career employees could once aspire." As political appointees pushed lower into the bureaucracy, "the ability of agencies to provide continuity between Presidential Administrations has been impaired." The report recommended that the President reduce the number of political appointees and make greater use of the career services.

The report pointed out that career executives "know the intricacies of the laws and regulations governing the programs they implement. They are the repositories of organizational memory." The report also highlighted the short tenures of political appointees, citing one study: "Appointees on the job two years have enough time to make mistakes but often not enough time to put the resulting lessons to use." Some political executives offered critical comments about their fellow appointees: "To tell the truth, I have more problems with political appointees because they are subject to political pressures. And they think they understand the political process, and most of them don't."

The report describes political appointees as "in-and-outers" who are recruited to serve a particular President and want to "make their marks quickly and to move on." In contrast, career executives have longer-term perspectives and are more likely "to pay attention to the health of institutions and to the integrity of the processes that ensure nonpartisan implementation of the laws."

Other studies have reached similar conclusions. In "Political Appointees and Career Executives: The Democracy-Bureaucracy Nexus in the Third Century," published in the January/February 1987 issue of *Public Administration Review*, James P. Pfiffner argues that "the balance in the United States has shifted too far toward a greater number of political appointees." Presidential candidates come to office with a distrust of the career bureaucracy, fearing that it might sabotage their initiatives. For example, Jimmy Carter ran as an outsider against the establishment in

Washington, D.C. Pfiffner noted that Carter and "many of his appointees adopted an attitude of moral superiority toward Congress and the bureaucracy."

In hearings in 1989, Congressman Gerry Sikorski, chairman of the Subcommittee on the Civil Service, offered this perspective: "In the 98<sup>th</sup> Congress, this subcommittee held a series of four hearings reviewing the first five years of the SES. We were told then that the mix of political appointees and career civil servants was becoming poisoned by too many political appointees. These concerns are still valid. The recent scandal at the Department of Housing and Urban Development is a good example of what can happen when political appointees circumvent career executives shutting them out from agency management. The S&L crisis, Iran Contra, Burford and Lavelle at the EPA are other examples caused or at least aggravated by this same problem. We have seen that time and again a poisoned Senior Executive Service leads to poisoned public policy." "Relationship Between Non-Career Appointees of the Senior Executive Service and Career Senior Executives," hearing before the Subcommittee on the Civil Service of the House Committee on Post Office and Civil Service, 101<sup>st</sup> Cong., 1<sup>st</sup> Sess. 1 (1989).

Of course, we all recognize that generalized observations often do not fairly reflect the actions of individuals. However, this concern has been raised in enough areas to warrant mention.

**3. Could you elaborate on the point you make on page 5 of your prepared testimony, where you conclude that within the agencies "everyone would be on notice that many accounts would be vulnerable to reductions the second year." Why do you believe that this would be the case?**

The major reason is the difficulty of projecting spending for an additional year beyond the current estimates. The projections for the second year will not be as good as the projections for the first year. In the second year, it would be necessary for executive officials, working in conjunction with the congressional committees that have jurisdiction, to add funds to programs that are running out of money. To keep within a spending cap, these officials would have to take funds from other programs. I was referring to this heightened state of uncertainty and vulnerability during the second year.

**4. What is your view of the argument that by reducing the number of repetitive budget votes, Congress will have less opportunity to spend the taxpayers money, making it more likely that overall government spending could decline?**

I don't know why that would happen. Under biennial budgeting, Congress would have to vote on funding for Year 1 and Year 2. If lawmakers decided to adopt purposely restrictive totals for the second year, they would be faced with supplemental requests in Year 2 and perhaps agency announcements that they have insufficient funds to last the full twelve months. Faced with these "coercive deficiencies," Congress could ignore the agency requests and see what happens. I think it is just as likely that Congress would err on the generous side in adopting a two-year budget so that these second-year confrontations and crises did not occur. If they did, Congress would be distracted from the oversight which is the stated priority for the second year.

# **QUESTIONS AND ANSWERS SUBMITTED BY THE HONORABLE LEE HAMILTON**

As I mentioned in my testimony, I strongly believe that moving to biennial budgeting would give oversight a significant boost by freeing up the committee workload over the two-year cycle.

Oversight of how effectively the Executive Branch is carrying out congressional mandates is an enormously important function of Congress. Congress must make sure that the administration is carrying out laws the way Congress intended.

Biennial budgeting would also free up time that could be used by Congress and the Executive Branch to focus more on long-term strategic thinking – examining the challenges our country will face over the coming decades. Congress's efforts in long-term thinking in the off-year could be significantly aided by requiring the President to submit a report every few years on the long-term challenges facing the country.

In these two ways, biennial budgeting could improve the effectiveness of government by providing a more stable budget environment and allowing for a greater focus on oversight and long-range thinking.

## **1. Is the current lack of time the reason for inadequate oversight or is it that Members aren't interested in doing oversight regardless? Are additional process changes needed to remedy this?**

Time is only part of the problem. The key is leadership and the will of individual Members. Structural reforms can be helpful, but for oversight to really work it takes a clear message from congressional leadership that oversight is a priority and that it will be done in a bipartisan, coordinated, systematic way. The key role of the House Speaker, the Senate Majority Leader and the Minority Leaders cannot be overstated.

The will of individual Members to do oversight will ultimately depend on incentives and rewards to do the necessary work. Perhaps a better coordination between party and committee leaders on the existing oversight agenda requirement would produce more meaningful agendas that are more the result of a committee process. The more Members feel they are part of the larger project and play a role in devising it, the more they will be inclined to make it succeed.

## **2. Will biennial budgeting degenerate into a more ad hoc annual process with frequent revisions and more supplementals? Are there procedural changes that can prevent this from happening?**

Any new process can produce unintended consequences. Though it is tempting to limit the number of supplementals, this would defeat the purpose of truly emergency supplementals needed to deal expeditiously with unexpected needs resulting from disasters, war, etc. It is clear that supplementals are increasingly being used for non-emergency matters and to circumvent the spending caps. Leadership controls and presidential veto threats remain the best safeguards against allowing these trends to get out of control.

## **3. How can the problem of revised projections be effectively integrated into a biennial system?**

Ideally, if you are going to plan on a supplemental in the second session, the President's revised estimates should be sent to Congress no later than June 1 so that any supplemental spending could be acted on by the July or August recesses.

## **4. What role would reconciliation play under a biennial process, especially in the off-year?**

Reconciliation should not be done in an off-year unless it is needed for emergency purposes. In election years, too many games will be played with it to either increase entitlement spending and/or cut taxes. It should be dealt with as a follow-on to the budget resolution's implementation, in the first session.

**5. What role does the authorization process currently play in the budget process and should that role change? Will a changing role for authorizing committees improve programmatic oversight?**

Generally, I favor an increased role for authorization committees, which under the present system are often simply bypassed. Under biennial budgeting, authorizers could submit their estimates to the budget committee for the upcoming biennium. The real problem will be projecting what the need will be three and four years into the future. While authorizers will be forced by biennial budgeting to think three and four years out, they will also be able to spend less time guessing at authorizing ceilings and more time focusing on how well existing policies and programs are designed and being implemented. The need for fine tuning and for occasionally passing new program in odd-years will decrease if authorizers focus more on devising far-sighted authorizing policies based on better policy oversight and long-range thinking. An increased role for authorizing committees should improve programmatic oversight because they possess the greatest expertise and capacity to rigorously monitor and oversee various government programs.

# QUESTIONS AND ANSWERS SUBMITTED BY THOMAS MANN

**1. You suggest possibly including a sunset provision for biennial budgeting. How long would you argue would it take before we could assess whether the new process is working? What would be the criteria you would use to judge its success or failure? Do you have any thoughts on another suggestion that has been made that we should consider implementing biennial budgeting on a pilot basis just for certain segments of the budget?**

I believe the wisest course is to begin on a pilot basis, by targeting programs which have reasonably predictable spending patterns, have broad political support, and could profit from longer-term budget horizons. Among the candidates would be a substantial part of the defense budget and biomedical research. Indeed, the annual defense authorization and appropriations bills now consume much executive and congressional energy.

If you decide to go forward with a comprehensive biennial budgeting process, I would sunset it after two cycles, or a total of four years. An evaluation should look at whether the off-year supplemental appropriations process expands significantly, whether the total amount of floor time on budget and appropriations matters declines, the accuracy of longer budget projections, changes in the quantity and quality of congressional oversight by appropriators and authorizers, whether time of executive branch personnel is freed up and, if so, how that time is reallocated, and if there is any noticeable change in the level of political friction between the branches and in the amount of long-term deliberation in both branches.

**2. You come to the conclusion that the primary motivation for oversight is "essentially political" and you conclude that those members who really want to do oversight already have at their disposal the time and resources needed to do the job. How then would you respond to the testimony of our former colleague Lee Hamilton, who concludes just the opposite, saying that he would have liked to have had more time to do oversight in the committees on which he served. He also said that**

**"a strong record of congressional oversight - of 'continuous watchfulness' - will do a lot to restore public confidence in the institution. It will show that Congress is taking its responsibilities seriously and is able to work constructively to improve government performance."**

I take Lee Hamilton at his word that he wishes he had had more time for oversight.

I just don't see how a biennial budget process would free up that time. Lee's broad substantive interests and responsibilities, and the demands of individuals and groups to meet with him, would not have been measurably diminished by a biennial budget process. My argument is that congressional oversight is a consequence both of serious policy interests and responsibilities of Members and political motivations, not of the amount of time consumed by the budget and appropriations process.

**3. You suggest that requiring longer term projections to support a two-year budget cycle would "invite partisan and ideological mischief." Could you elaborate and provide examples of what you mean?**

I believe that OMB and CBO would do their best to provide accurate projections but the unavoidable errors would lead Members to have less confidence in those numbers and to substitute their own, which would naturally pull them into pitched partisan and ideological battles. Budget gimmicks would, I believe, multiply.

**4. What means would you suggest we explore in order to improve House-Senate cooperation in the budget process? Do you have some specific ideas you could offer us?**

Improving House-Senate comity, especially on budget and appropriations matters, is a desirable but illusive goal. Senator Lott's recent decision to table the supplemental appropriations bill against the wishes of the



House and of Senate appropriators demonstrates the difficulty here. I wish I had some concrete proposals for you to consider but I do not. All I can suggest is more regular consultations between party and committee leaders in both branches.

**5. What role do you see the authorization process currently playing in the budget process and do you think that role should change? Do you think changing or strengthening its role would improve the role and condition of programmatic oversight?**

Authorizing committees have responsibility for problem exploration, agenda setting, policy analysis, program design, deliberation to reconcile diverse and often competing interests on legislative matters under their purview, monitoring implementation, program evaluation, and reauthorization. The budget process is designed to set the broad parameters for revenues and expenditures while the appropriations process examines how the dollars are actually spent. Difficulties arise when each of these separate processes intrudes on the other. Annual authorizations become de facto appropriations bills. Authorizing provisions in appropriations bills crowd out the substantive committees. The challenge is to recognize the comparative advantage of each process and to build incentives for each to stick to its advantage.

# QUESTIONS AND ANSWERS SUBMITTED BY PHILIP JOYCE

**1. You seem to conclude that the major reason why there is less than an optimal amount of detailed oversight is because members don't particularly like to do oversight. If biennial budgeting is not an answer to this problem, as you suggest, what do you think should be done to strengthen the authorization process and enhance Congressional oversight? Or, do you believe that the current level of oversight conducted by Congress is adequate?**

I don't think that the current level of Congressional oversight is adequate, particularly given the complexity of issues that the federal government deals with, and the necessary extent to which the Congress must delegate to executive branch agencies the power to "fill in the details" of policy. Saying that the current level is inadequate, however, is not the same thing as suggesting what would be necessary to increase Congressional attention to how programs actually work. In order to increase this kind of attention, the incentives must be present for the Congress to do more oversight. The Congress does not, quite rationally, spend its time on issues that have little or no electoral benefit. I do not believe, therefore, that there is anything that the Congress could do to increase time devoted to oversight until and unless the public demands it, and rewards members for spending their time on understanding the way federal programs work (as opposed to, for example, on casework, or pork barrelling, or raising campaign money). In fact, it is probable that meaningful campaign finance reform would do more to improve the likelihood of oversight than biennial budgeting.

**2. Your testimony briefly alludes to the benefits to the agencies of moving to a two-year budget cycle. Could you elaborate on what you think these benefits are and could you try to quantify them in terms of time saved, resources saved etc.?**

I think that the benefits to moving to biennial budget for agencies would be twofold. First, they would likely spend less time and attention justifying budget requests to the Congress. This might necessitate smaller budget staffs in the agencies and OMB, keeping in mind that during budget years, the budget demands would be at least as great as they are now. For this reason, these staffing reductions would likely not result in substantial savings, particularly given the fact that the biennial process (if adhered to) would be a higher stakes, more complicated process than the annual process. Second, it would simply be easier to manage federal agencies if the flow of funds received by them was more predictable. Currently, the annual process in some agencies of waiting a month or more into each fiscal year before there is any clear direction of the funding level for that agency works against precisely the kind of planning and results focus that laws like the Results Act are trying to encourage.

**3. Given your concern about more and larger supplementals under biennial budgeting, are there additional process changes that should be considered to guard against the possibility of allowing the two-year process to "degenerate" into a one-year process?**

The keys to minimizing the size of supplementals are: 1) reducing the probability that unpredictable events would trigger increased demands for spending; 2) discouraging changes in priorities in the off-budget year; and 3) lessening the odds of remaking the budget in the non-budget year to meet specified budget targets in response to changes in revenue or expenditure projections. There seems to be very little that the Congress could do to improve the overall quality of budget projections. The existence of OMB and CBO already serves to create an environment where there are sufficient incentives for "honest" projections; remaining errors tend to exist because of the inherent unpredictability of revenues and (particularly) entitlements. As to the other two reasons for supplementals, there might be a number of possible reforms that could address them. I would encourage the Congress to review the recommendations of the Budget Committees and others concerning emergency spending (for example, requiring disaster spending to be funded at historical average levels, or requiring emergency spending to be offset by cuts elsewhere in the budget), as many of these would reduce the incentives to resort to supplementals. You might also consider

requiring some kind of a supermajority vote to pass a supplemental in order to create the presumption against them. These kind of supermajority votes, however, come with a cost, since they would make it more difficult for the Congress to be responsive to changing circumstances.

**4. You suggest possibly including a sunset provision for biennial budgeting. How long would you argue would it take before we could assess whether the new process is working? What would be the criteria you would use to judge its success or failure? Do you have any thoughts on another suggestion that has been made that we should consider implementing biennial budgeting on a pilot basis just for certain segments of the budget?**

I would suggest that you would want a biennial process to operate for two full biennia (the 108<sup>th</sup> and 109<sup>th</sup> Congresses, for example; it is getting a little late in the process to have the biennial system start next January, in my view) before assessing it. You might then want to assess its usefulness during the following Congress (the 110<sup>th</sup>) with an eye toward whether it would be reauthorized for the Congress after that one (the 111<sup>th</sup>) or whether you would revert to the previous annual process. If you follow this timetable, you would pass a law that made the biennial process effective from January 2003 through December 31, 2008 (that is, for the fiscal year 2004 budget through the fiscal year 2009 budget). The Congress would decide during 2007 and 2008 (again, the 110<sup>th</sup> Congress) whether the process would continue after January 1, 2009.

I would suggest a number of useful questions to focus on. On the Congressional side, did the process free up Member time for other activities? Was this true in both the House and Senate? What was this time spent on? Was more oversight done? Was it more substantive oversight than was done prior to the institution of biennial budgeting? Were there more and larger supplementals? Did the longer time horizon create forecasting challenges that interfered with the ability of the Congress to make coherent policy? Did the Congress have difficulty responding to demands for changes in priorities? From the standpoint of the executive branch, were the agencies able to free up time and/or save staff resources? If the Congress spent more time on oversight, how did that change the relationship between the agencies and Congressional Committees? Was the flow of funds to agencies and recipients of federal money more predictable? These are examples of the kinds of questions that occur to me now, but others would undoubtedly arise as the Congress and the executive branch gained experience with the process.

**5. What role do you see the authorization process currently playing in the budget process and do you think that role should change? Do you think changing or strengthening its role would improve the role and condition of programmatic oversight?**

The current role of the authorizing process is not really budgetary, in my view. That is, authorizations create federal programs, and specify the terms and conditions under which money will be spent, but they do not really provide funding. The authorizing committees likely have the greatest level of expertise to do oversight, since they have the most detailed knowledge of agency operations. On the other hand, since they do not control resources, agencies have less incentive to take the wishes of the authorizing committees seriously than they do the appropriations subcommittees. I do think that giving more "teeth" to the authorizing process would improve the conditions for oversight; short of some effort to combine authorizations and appropriations, however, it is not immediately obvious to me how to make that happen. One possibility would be to fully enforce the prohibition against unauthorized appropriations. If authorizations had to precede appropriations, it might increase the likelihood that agencies would take the oversight process seriously.

## SUBMITTED QUESTIONS AND ANSWERS BY CHARLES WHALEN

1. In your prepared testimony you state that "an international perspective on this issue generates two findings worth noting. One is that legislators devote considerably less time to budgeting in parliamentary democracies - interminable budgeting is largely an American phenomenon. The other finding is that annual budgeting is a product of custom and tradition, not fiscal theory." Can you elaborate more on these two findings?

i) Parliamentary democracies feature a more unified government structure. Critical budget decisions are negotiated within the cabinet; parliaments usually debate and enact a budget in only one or two months.

Moreover, reliance on a parliamentary structure is not the only way other nations achieve budgetary stability. Nearly all employ multiyear budgets for certain expenditure categories such as military spending. In addition, some nations, such as Sweden, place annual budgets in the context of multiyear budget frameworks [see, for example, Allen Schick, *The Capacity to Budget* (Washington, DC: Urban Institute, 1990, p. 220)].

ii) The roots of annual budgeting are not found in economic or political theory. Rather, this fiscal period was initially employed because it corresponds with a full cycle of nature's seasons. The practice of annual budgeting may have considerable merit in an agrarian society. It loses much significance, however, in a highly industrial nation.

At the state level, trends in fiscal practices moved from an initial heavy reliance on annual budgeting to almost exclusive use of biennial budgeting (and biennial legislative sessions) by the early Twentieth Century. After World War II, many states reverted back to annual budgeting. Since 1986, four states have turned once again toward biennial budgeting. Today, 23 state budgets have at least some biennial components.

2. You discussed the Defense Department experience. Since the Defense Department continues to be required by law to submit a biennial budget request, would the Pentagon be a good first candidate for a transition from an annual to a biennial process? Also, since this submission requirement still exists, has any of the benefit of this preparation remained for the Department even though they have received annual appropriations?

In the mid-1980s, Representative Les Aspin and Senator Sam Nunn – respective chairs of the House and Senate Armed Services Committees – concluded that a two-year defense budget could help their committees focus less on the details of budgeting and more on defense oversight, direction-setting and policy analysis. Defense Department managers also saw biennial budgeting as an opportunity to devote greater attention to program evaluation and agency planning. (See Robert Art, "The Pentagon: The Case for Biennial Budgeting," *Political Science Quarterly*, 1989.)

According to research by Professor Robert Art (cited above), the Defense Department's submission of biennial budgets yielded benefits in the form of increased agency evaluation, better planning and reduced procurement costs – despite the continued reliance on annual appropriations (see my testimony and the Art study for further details). A study that takes an updated look at the Defense Department experience would indeed be worthwhile.

Two comments are warranted in response to the question of whether the Pentagon's budget would be a good first candidate for a transition to biennial budgeting. On the one hand, oversight and planning needs seem to make the Defense budget a good candidate – and there are certainly many highly predictable elements within the defense budget. On the other hand, overall defense spending is widely considered one of the most difficult items to place on a two-year cycle, since some military expenditures are often neither predictable nor deferrable.

3. You suggest that government contractors, grantees and program recipients will benefit by program managers having more resources and ability to devote to focusing on improved program results. Could you give some specific examples of how this would be the case?

Contractors, grantees and program recipients benefit from greater certainty with respect to funding over time. As indicated in Professor Art's study, contractors "can strike more advantageous deals" with subcontractors and parts suppliers – and thus reduce procurement costs – when operating with a multi-year time horizon. Moreover, instability of weapons-system production also increases costs for both the government and its contractors.

In my testimony, I make reference to remarks offered by Dr. Alice Rivlin. On this topic, she writes: "Transfer payments, especially for the elderly, need to be predictable, so that people's lives are not disrupted. Military capability suffers if signals change too frequently. . . . Moreover, service delivery – whether roads, schools, health, or whatever – requires planning time. Frequent change and uncertainty of funding are costly and disruptive. Annual review of research grants increases the ratio of proposal writing to actual work. Indeed, almost all programs would work better if authorizations and appropriations were enacted for several years. Exceptions would appear to be few: natural disasters; military actions; and counter-cyclical programs where triggering mechanisms are not appropriate" (*Challenge*, March-April 1981, p. 36).

4. In your prepared testimony you state that "as for the possibility of a correlation between biennial budgets and increased reliance on supplemental appropriations and rescissions, evidence from older studies is mixed while the two most recent studies (published in the mid-1990s) find no correlation." Can you elaborate more on the findings of these studies?

In 1972, a report by the Council of State Governments indicated legislators in states that switched to annual budgeting identified a need for fewer emergency appropriations as one reason for keeping the new system (*Annual or Biennial Budgets?*, p. 15). A 1984 study, conducted by researchers at Texas A&M University, interviewed officials and observers in states that moved to annual budgeting. That study reported no discernable link between the budget period and the need for supplemental appropriations (*Annual versus Biennial Budgeting?*, section 3, pp. 13-14).

A 1987 General Accounting Office (GAO) report provides mixed results on the basis of interviews conducted with state legislative and executive officials. "No strong pattern" on the use of budget adjustments emerged from the interviews. Nevertheless, the report did find "a slight indication" that some states which moved to annual budgets experienced fewer adjustments while some which moved to biennial budgets experienced an increase in adjustments (*Budget Issues: Current Status and Recent Trends of State Biennial and Annual Budgeting*, pp. 14, 19, 25).

Another GAO report with information relevant to this question was released in 1993. After stating that 49 states must keep their budget balanced, the report indicated 85 percent of annual budgeting states took action to close a budget gap in the prior budget period, while only 47 percent of biennial budgeting states did so. (See *Balanced Budget Requirements: State Experiences and Implications for the Federal Government*; percentages based on Tables 3.1-3.3.)

According to a 1994 report by Ronald Snell of the National Conference of State Legislatures, supplemental appropriations since 1989 have been driven by unpredictable national economic developments that affected all states regardless of the budget period employed (*Annual and Biennial Budgeting: The Experience of State Governments*, p. 8).

5. In your testimony you point to the need for "provisions allowing for changes in response to major unanticipated developments and emergencies." Could you elaborate on what these "provisions" might look like?

Supplemental appropriations and rescissions should be permitted each year. Just as the current process permits budget adjustments during the fiscal period, so to should biennial budgeting.

6. **One argument against biennial budgeting is that it would exacerbate the need for supplemental spending bills, which can tend to balloon as they move through the process. Do you have any suggestions for the Committee about how to control the supplemental process to ensure that we do not slide back into a defacto annual process should a biennial budget be implemented?**

Avoiding over-use of the supplemental appropriation process requires minimizing the need for "must-pass" supplemental bills and controlling legislators' ability to attach extraneous amendments to such bills. One way to avoid the need for "must-pass" supplemental bills is to create "rainy day" funds for certain events such as natural disasters. (Representative Obey has even taken this idea a step further and suggested creating a system by which states could ensure themselves against such disasters.) Dan Crippen, Director of the Congressional Budget Office, suggests another alternative worth considering: including procedures in the budget resolution that would allow budget totals and allocations to be updated automatically for changing conditions.

7. **You state in your testimony that you agree with Dr. Alice Rivlin in a conclusion that, under a biennial budget model, we should "minimize unexpected changes in tax and spending policies." Does this mean that you would argue that the process should seek to prevent the consideration and enactment of reconciliation bills in the non-budget year?**

Reconciliation bills should generally be passed in the budget year. Freestanding revenue measures and authorization legislation would be considered in the non-budget year -- and their changes would become effective (except in extraordinary cases) at the start of the next biennium.

8. **As you note in your remarks, a major argument in support of biennial budgeting is that it would free up the Congress and its committees to focus on more in-depth oversight during the non-budget year. We have plenty of evidence that under the current system, major portions of the budget go from year to year without authorization. Do you think that we need to make additional process changes, in conjunction with enacting a biennial cycle, to strengthen the authorization process?**

There are presently a number of ways to circumvent House rules that were designed to ensure authorization precedes appropriation. With biennial budgeting, it may be desirable to make such circumvention more difficult.

9. **Some have suggested that biennial budgeting will cause agencies to seek greater spending cushions for the second year of a biennial budget. You discussed this in your written testimony and stated that "published examinations of state budgets do not support this contention." Could you comment further on the findings of these examinations in this area?**

In 1984, Texas A&M researchers conducted interviews with officials and budget observers in states that had moved from biennial to annual budgets. They report "no agreement among the respondents as to the effects of [a switch to] annual budgets on the need for agency cushions" (section 3, pp. 13-14).

In 1994, Ronald Snell of the National Council of State Legislatures (NCSL) considered whether the budget period affects state spending. In particular, he examined evidence summarized in a prior NCSL report and a more recent academic study. The prior NCSL report, which reviewed the Texas A&M research and four additional studies, produced the conclusion that the budget period does not have any clear effect on state spending. Snell added that the more recent study "failed to find strong evidence on either side of the issue" (*Annual and Biennial Budgeting: The Experience of State Governments*, 1994, p. 8). [Snell's references: Barbara Yondorf, *Annual versus Biennial Budgeting: The Arguments, The Evidence*, NCLS, 1987; Paula Kearns, "State Budget Periodicity: An Analysis of the Determinants of the Effect on State Spending," unpublished paper, Department of Political Science, Michigan State University.]

10. **What role do you see the authorization process currently playing in the budget process and do you think that role should change? Do you think changing or strengthening its role would improve the role and condition of programmatic oversight?**

I would agree with former Representative Lee Hamilton, who recently argued that oversight is currently underused and its value is often underestimated. The two-stage authorization-appropriation process makes sense only if authorization committees engage aggressively in oversight. Biennial budgeting provides an opportunity for congressional committees to conduct such oversight – and to introduce more long-term thinking into policymaking.

Biennial budgeting enables Congress to make full use of agency performance data required by the Government Performance and Results Act. A legislative session devoted primarily to oversight, evaluation and authorization is consistent with the bipartisan goal of devoting greater attention to measures of program outputs and effectiveness. In short, biennial budgeting is consistent with the goal of making government more efficient.

# QUESTIONS TO AND ANSWERS FROM ROY MEYERS

1. As you know, the current budget process only accounts for changes in mandatory spending and revenues that result from legislative action. OMB and CBO hold the budget harmless for changes in spending or revenue levels caused by administrative, economic or technical changes. Do you think it would be possible and advisable to utilize this existing mechanism (or a modification thereof) as a way of handling such changes in the budget under a biennial process? Is this a way to address part of the difficulties with long term projections?

A biennium is a relatively short time compared to the period used in long-term budget projections--typically 10 years for the aggregate budget and up to 75 years for selected programs like Social Security. Budget projections made over such long time periods tend to be quite inaccurate, for two reasons. First, the projections are highly sensitive to changes in underlying assumptions (e.g., the rate of wage growth). Second, the ebb and flow of political forces in society, and the responsiveness of our political leaders to these forces, cause strong demands each year to adjust budgetary policies.

Reducing the first difficulty would require better data and better modeling. However, because extensive data is already collected and budget forecasters are already quite professional, a significant reduction in long-run forecasting errors is unlikely. The major difficulty in this regard is to convince political decision-makers to take seriously the fact that estimates are likely to be wrong. An automatic adjustment procedure for a many-year budget agreement may prevent that agreement from becoming wildly unrealistic. On the other hand, the availability of such an adjustment procedure may also encourage political decision-makers to extend budget agreements for longer periods than are politically realistic. Elections always shift the balances of partisan power within the Congress and between the branches. Because elections occur every two years, any budget agreement planned to last for more than 2 years is likely to be challenged successfully. Biennial budgeting therefore would establish a more realistic time frame for negotiating budget agreements than would current practice.

2. In your prepared testimony you state that "biennial budgeting may be more realistic from the economic perspective." Would you elaborate on how this may be the case?

In my testimony, I argued that many-year budget agreements implicitly expect budget forecasts to be highly accurate for much longer than two years. When those forecasts are made at the peak of the business cycle, as is the current experience, they show large amounts of uncommitted financial resources. Some political decision-makers have responded by proposing to allocate, in just this year, all of those resources that are expected to materialize over a much-longer period. Yet there is a significant risk that those expectations are overly optimistic. This risk receives little mention in public debate, which is probably due in part to the fact that official estimates made in the early-to-mid 1990s were overly *pessimistic*.

I am not arguing that the Congress should neglect what might happen in the outyears beyond the biennium. Far to the contrary, for much of what the federal government does in the budget has long-term impacts, whether as capital investments, loan obligations, tax provisions, debt burdens, or benefit commitments. The most realistic approach to budgeting would attempt to project the long-term effects of these decisions *while taking uncertainties into account through the use of sensitivity analyses*. A focus on the biennium would be second-best to this approach, compared to the even worse approach of assuming that the U.S. has entered a new golden eon of economic growth.

3. You discuss the issue of which of the two years should be devoted to consideration of budget-related legislation. You raise concerns about using the odd-numbered year for consideration of such bills. Do you think the even-numbered year would be a better approach? Could you elaborate more on these concerns?

If one purpose of biennial budgeting is to require that most budget decision-making take place in one calendar year of a Congress, then the odd year should be the preferred year. The odd year follows the election, enabling *quicker* legislative action in response to an electoral mandate than would the even year. The odd year also allows *more time* for legislative action than the even year does, because of the practice in the even year to adjourn a month before the



November election and the associated pressure on individual Members during their primary elections.

However, it is unrealistic to expect *all* budgetary actions to be completed in the odd year. Every legislature on earth tends to postpone some major decisions until shortly before sine die adjournment. Some budget issues would therefore be delayed until the even year. In addition, unanticipated events would likely create a need for even-year amendments to the budget that was just enacted in the odd year. And last, but certainly not least, an upcoming election would tempt Members to propose budget amendments in order to help them campaign effectively.

If the Congress is to budget biennially, it needs rules that would prohibit most non-emergency budget amendments from being adopted in the even year. At the same time, it would also have to use flexible scorekeeping to allow selected, major legislative proposals with budgetary impacts to be considered during the even year. A current example of the latter might be the possibility of enacting a prescription drug benefit in Medicare.

**4. What role do you see the authorization process currently playing in the budget process and do you think that role should change? Do you think changing or strengthening its role would improve the role and condition of programmatic oversight?**

Based on rate of passage of authorizations bills, the process has significantly weakened over several decades. I also suspect that the authorizations process has become worse in its review of the "big picture"—the attention to strategic direction called for by the Government Performance and Results Act (GPRA)—and consequently, in the connection of the oversight of administration to statutory goals.

Unfortunately, improving the authorizations process would require more significant changes than simply reserving more time for authorizations committees to draft bills and for the floor to consider these bills. I suggested in my testimony that the crucial needed change is a commitment by Members to emphasize this responsibility; this is out of the range of Rules Committee influence. However, I do suggest that organizational restructuring could make it more likely that the authorizations function could be carried out much better.

In practice, appropriations bills "must pass" if agencies are to operate. In theory, authorizations bills also "must pass" if appropriations are to be enacted without facing a point of order. However, in practice, this requirement is waived so often, or made irrelevant by permanent authorizations, that the appropriations process has captured much of the importance intended for the authorizations process. Those practices are partially justified by the tendency of negotiations over authorization bills to reach impasses over sticking points. For example, a President might safely assume that disagreeing with an authorizing committee will not prevent an appropriations committee from enacting an unauthorized appropriation.

My suggestion for improving on this situation is to end any separation of authorizing and appropriating responsibilities. Committees with mandatory spending jurisdiction already combine these functions. The separate authorizing and appropriations committees on the discretionary side of the budget could be similarly combined. In practice, this would require a redistribution of authority between different committees. For example, the irrational split of jurisdiction for health programs could be realigned within a health committee. Though the political barriers to this reform are immense, it is also the case that the Congress faces a continuous challenge to its capacity if it refuses to improve on an internal structure that encourages excessive conflict.

It might be argued that one of the dangers of combining authorizing and appropriating functions within one committee is that budgeting would drive out other activities. Of course, from the perspective of some authorizing committees, this is already the case. When the two responsibilities are combined, each committee would be able to determine the proper balance of budgetary and other activities. Moreover, the message of GPRA is that the two activities are inextricably linked.

# QUESTIONS AND ANSWERS SUBMITTED BY BILL FRENZEL

1. In your testimony you talk about the need to prevent significant spending bills from moving in the non-budget years of the biennial cycle. You suggest an approach of limiting supplemental spending to those items requested by the President. You note the unlikelihood that the President would fail to request funding for an actual emergency - but such an incident occurred this year with regard to the North Carolina disaster relief. Additionally, President Clinton has routinely failed to request adequate funding for military missions he has authorized, knowing that such funds would eventually have to be forthcoming. How would you respond to criticism that your proposal would cede undue authority to the Administration and would open the door for additional political posturing?

I stand by my suggestion. Money actually flowed to North Carolina, I believe. It is my understanding that the North Carolina Appropriation merely fills up the President's goodie bag, as do most of the emergency requests. We are talking here more of a "gotcha" game than of a problem of not responding to emergencies.

Every change is alleged to change the balance of power between the branches. My own experience is that no opportunity to spend money has ever been ignored by either branch, and I believe that there are always going to be plenty of doors open to additional political posturing. It is the nature of Congressmen, Presidents and ducks do quack like ducks.

2. Are there other possible mechanisms that you might suggest to accomplish this objective?

Other mechanisms are:

a. Congress could bite the bullet and appropriate for emergencies in advance. I, of course, won't hold my breath waiting for that great day.

b. Congress could require super majorities to appropriate a non presidentially recommended appropriation. This is not one of my favorite options, and I doubt that it would give the Congress much comfort.

c. If there were a joint budget resolution, it would be my hope that the discrete discretionary spending caps would limit both presidential and congressional spenders. However, posturing, for experts, is possible under any conceivable set of conditions.

3. You continue to recommend the joint budget resolution as a needed reform. Could you elaborate on how you think the joint resolution would interact with a biennial budget process. For instance, could you discuss your view on the timing of the process in the first year when agreement would need to be reached between the Congress and the President on the joint budget resolution covering the two year period. Some critics have suggested that reaching agreement on two-year spending bills would take longer than the process does now in an annual cycle. Do you believe there is enough time to accomplish this and still allow for the appropriation and possible reconciliation process to be concluded within the confines of the normal calendar?

I would expect that a joint budget resolution would be confined to function aggregates, and that there would be less of the detail to fight over. If the branches want to fight, they can do so anytime, but a JBR is pretty big stuff and there would be powerful incentives to work out the differences.

For the 2nd year, the argument will probably mostly be over the limits of increase since the pie has been sliced for the first year. If 5 year spending caps are included, the second JBR ought to be a piece of cake.

Finally, if the JBR can be signed by May or June, or even July, there should be much less time needed for the Appropriations which now take a great deal of time because there have been no prior Presidential agreements.

QUESTIONS AND ANSWERS SUBMITTED BY ROBERT L. BIXBY

1. Could you explain your point of view with regard to the statement in your testimony that, in an era of surplus, reconciliation bills are no longer necessary? Reconciliation is a process designed to bring about changes in entitlement and revenue policies – changes that might not occur under the regular order, especially in the Senate. Your testimony appears to argue that without a deficit there would be no reason to want to seek to make such changes in law. Please elaborate on why do you believe that, in times of surplus, we should not be considering revenue changes that might include tax relief for the American people?

In my prepared testimony, I noted that, "with budget deficits at least temporarily erased, there is no longer the need for an *annual* reconciliation bill, or for a Congressional Budget Resolution requiring it." (emphasis added).

The fact that we have projected surpluses, or that we may move to a biennial budget cycle, does not mean there would be no further need for reconciliation bills. Presumably, Congress would still use reconciliation as a vehicle for tax and entitlement changes. But any such changes as may be deemed appropriate could easily be handled through reconciliation bills enacted in the first year of the two-year cycle. Indeed, frequent changes to the tax code and in entitlement programs can be destabilizing and confusing both to the public and to the agencies charged with administering them.

Moreover, it should be noted that there is a significant difference between an era of projected escalating deficits and projected escalating surpluses. In the former situation, there is a critical need for action to prevent a fiscal meltdown. Annual reconciliation bills provide the opportunity to take such action. In the later situation, there is not the same need for immediate action. Unlike deficits, projected surpluses are consistent with the new bipartisan consensus to truly wall-off the Social Security surplus, and to pay down the publicly held debt. Even with the longest economic expansion in our nation's history the budget in fiscal year 1999 was in surplus, excluding Social Security, by just \$704 million. Future surpluses are contingent upon continued strong economic growth, slow growth in health care costs, and fiscal discipline — none of which is guaranteed. In Concord's view, a biennial budget cycle, including reconciliation bills, would provide ample opportunity to address needed changes in permanent law, while limiting the temptation to dissipate the surplus.

2. You discuss the likelihood that, under a biennial process, there would be a need for a mid-session "corrections" bill. How likely do you feel it to be that procedural constraints could be enacted and enforced to keep the biennial process from degrading back into a defacto annual cycle?

The benefits of biennial budgeting would be lost if the process were allowed to fall back into a defacto annual cycle with 13 supplemental bills, or a like amount, replacing today's 13 regular appropriations bills. But there is no reason to assume that this will happen. Under the current annual cycle the Administration and Congress routinely handle supplemental bills to deal with unforeseen emergencies, and in some cases, to reorder priorities. These bills can be contentious, but they do not require anywhere near the time it takes for full consideration of 13 annual appropriations bills. Thus, if the mid-session corrections bill is treated more as a supplemental bill and not as a reopening of the basic budgetary framework agreed to in the first year of the session, it should be possible to prevent falling back into a defacto annual cycle.

Of course, no one can guarantee that this will not happen. But the possibility of failure should never deter innovation. Obviously, any process reform, indeed any new idea, *might* not work. In this case, the question of success or failure largely depends upon the good faith effort of the people in the congressional and executive branches who will have to make it work. I am confident that if Congress chooses to adopt biennial budgeting it will not turn around and squander the benefits of this change by allowing the supplemental process to get out of control.

In addition to good faith efforts, other process reforms might help make biennial budgeting work. One is the idea of converting the Budget Resolution from a Concurrent Resolution, which does not require the President's signature, to a Joint Resolution, which does. Bringing the President into the process at an earlier point, as would occur with a Joint Resolution, would help ensure that the framework established in the first year would hold up over the second year, with only minor adjustments.

Another process reform that might help is setting aside a realistic amount for legitimate emergencies, particularly natural disasters. One major problem has been that not enough is appropriated through the conventional appropriations process to finance adequately the disaster relief programs. Scarcely a year goes by without a devastating fire, flood, drought, earthquake, tornado, or hurricane somewhere in the nation. About the only things that are predictable about such disasters is that they will occur, and that Americans will willingly provide assistance to the devastated victims. Over time, the cost of responding to these tragedies is also roughly predictable. Although we never know what disaster or emergency lies ahead, it's safe to assume that there will be one. Yet, year after year, insufficient funds are appropriated through the basic 13 appropriations bills to finance even an average level of disaster spending. Instead, minimal amounts are appropriated for FEMA and the other disaster relief accounts, and the rest of discretionary funding is used up for other purposes. Then when disaster strikes, it's too late to say, "we should have kept some funds in reserve," or, "we should have originally provided more disaster funding." By then, spending limits have already been reached, and the only way to provide disaster relief is through emergency spending.

A third factor that would help prevent supplemental bills from getting out of control would be the establishment of realistic discretionary spending caps. Much of the recent explosion in dubious emergency spending, and other budgetary gimmicks, stems from having discretionary spending caps set at an unrealistically low level. Tough, but realistic spending caps would help ensure that second year "corrections" bills do not necessitate whole new budgets.

**3. Some have suggested possibly including a sunset provision for biennial budgeting. How long do you think it would take before we could assess whether a biennial process is working? What would be the criteria you would use to judge its success or failure? Do you have any thoughts on another suggestion that has been made that we should consider implementing biennial budgeting on a pilot basis just for certain segments of the budget?**

The Concord Coalition would prefer that biennial budgeting be adopted on a permanent basis for the entire budget. Doing otherwise would signal a lack of commitment to the concept, resulting in confusion, and potentially, reluctance to fully comply with the new procedures. As noted above, good faith cooperation will be required to make the biennial budgeting work. It can be anticipated that there will be implementation problems in first one or two cycles. If those opposed to the new system know there is a clock running, their temptation may be to run out the clock rather than figure out how to make the new system work. But, in any event, it is clear that Congress can always undo any process reform that turns out to be untenable. So, even without a sunset provision biennial budgeting would only survive if those who must abide by it find it to be an improvement over the current system.

It is difficult to say how long it will take to assess whether biennial budgeting is working. At a minimum, I would allow three biennial cycles to make a fair test. The first cycle, almost by definition, will be experimental. Allowing two more cycles to work out the bugs and to see whether two-year agreements can hold up through a couple of election cycles will be important measures of success.

There are probably no objective criteria to use in judging whether biennial budgeting works. But much of the desire for biennial budgeting comes from a sense that Congress has insufficient time for long-range planning and government oversight. Thus, one measure of success would be whether biennial budget actually frees up time for such activities, and whether Congress actually takes advantage of this time to engage in more effective planning and oversight. Other measures of success would be the extent to which

budgetary gridlock is alleviated, particularly in the second year of the cycle, and whether the level of unauthorized appropriations comes down. It would also be important to receive feedback from the executive branch and the General Accounting Office on whether biennial budgeting results in better program management.

Requiring separate cycles for different parts of the budget would be counterproductive. One of the perceived benefits of biennial budgeting is that it would help streamline the budget process. Putting the budget on two different cycles may well result in added confusion. If so, this would not be a fair test of biennial budgeting, which might be blamed for the added confusion. Such a pilot test might also provide the opportunity for new gimmicks, such as shifting funds between annual and biennial cycles. It would be best to set the same rules for the entire budget.

# QUESTIONS AND ANSWERS SUBMITTED BY JAMES R. HORNEY

1. Your experience at CBO highlighting the fact that estimates can change in "just a few months" could be used to argue against a biennial budget, as you do. However, couldn't that argument be turned against our current process just as easily - by saying that things change every few months so why do we still do an annual budget? Your argument might suggest we should be most concerned about uncertainty and therefore should probably be doing new budgets every few months. Could you respond? What makes an annual budget that is fraught with uncertainty any better than a biennial budget fraught with the same uncertainty?

Ideally, changes in the economic and budget outlook would be taken into account more often than once a year. If all Congressional budget decisions were made centrally, or if the actions of the various committees of Congress were not subject to any collective direction and control, then it would be possible to make nearly constant adjustments in response to changes in the economic and budget outlook without disrupting the budget process. But, as long as Congress wants to exercise strong collective control over budget legislation that is crafted by numerous subcommittees and committees in two Houses of Congress, frequent changes in the directions given to those subcommittees and committees will almost certainly disrupt the process.

Under the current budget process, the Congress adopts a budget resolution (and the economic and technical assumptions that were used in formulating the resolution and will be used to determine whether subsequent legislation complies with the resolution) early in a session of Congress. The appropriations and authorizing committees can then proceed to consider legislation knowing what they are allowed to do and how the legislation they are considering fits into the overall budget plan. Changing what legislation is allowed and how legislation will be "scored" in the middle of that process would promote confusion and uncertainty and make it harder for committees to do their work and for the Congress to exercise central control over budget decisions (it is hard to enforce rules when the rules are constantly changing).

Of course, that logic could be used to argue that no changes should be made to reflect updated economic and budget information between sessions of Congress. But I think that, in the absence of truly dramatic changes, updating the budget annually to reflect changing economic and budget conditions provides the most appropriate balance between the competing goals of being responsive to changing conditions and maintaining an orderly budget process.

2. Based upon your concerns about the uncertainty of predictions, and understanding your basic opposition to biennial budgeting, I would still like to ask you for your views on what technical mechanisms should be put in place to mitigate the problems you foresee if biennial budgeting were to be enacted? Are there specific recommendations you could make with respect to the work done by CBO and OMB, the timing of budget preparations and review and forecasting?

I think it is important to avoid erecting too high a barrier to revisions in the budget resolution in the non-budget year. I realize that making it easy to revise the budget resolution in every non-budget year could reduce the anticipated benefits of having more time to spend on non-budget issues. But if the resolution cannot be readily revised when there is general agreement that changed circumstances call for changes in the budget, the Congress will be less able to make appropriate collective decisions about budget needs and priorities in those years and to enforce those decisions during the consideration of subsequent legislation.

I think it is also important to devise mechanisms for taking changes in the economic and budget outlook into account in the Congressional Budget Office's cost estimates when budget legislation is considered in the non-budget year and the budget resolution has not been revised. If budget enforcement in the non-budget year is based on cost estimates of legislation that rely on clearly outdated economic and technical assumptions from the previous year, the credibility and effectiveness of that enforcement would be undermined. I do not know of a simple way to avoid this problem. I believe that the Rules Committee staff should work with the Congressional Budget Office, House and Senate Budget Committee staff, and perhaps other committee staff to develop ways to update estimates when necessary.

**3. Some have suggested possibly including a sunset provision for biennial budgeting. How long do you think it would take before we could assess whether a biennial process is working? What would be the criteria you would use to judge its success or failure? Do you have any thoughts on another suggestion that has been made that we should consider implementing biennial budgeting on a pilot basis just for certain segments of the budget?**

If there is going to be a move toward biennial budgeting, I believe it would be wise to first try biennial budget resolutions before moving to biennial appropriations. In any case, I believe that establishing a sunset date for the biennial budgeting legislation would be appropriate. It probably would take two cycles — four years — to allow observers to reach even a tentative conclusion about the success or failure of the experiment.

In judging that success or failure, it will be important to look both at the extent to which promised benefits — increased time spent on more effective oversight and other important Congressional activities — have been realized and the degree to which potential bad effects — increased use of supplementals and other ad hoc budget legislation or failure to respond in a timely manner to national needs — have occurred. It is important not to ignore the qualitative aspects of this assessment. For instance, spending more time on “oversight” will not mean much if the oversight is not carried out in a way that is likely to lead to a real improvement in the way federal programs operate. Similarly, limiting the number of supplementals and other non-budget year budget legislation will not represent a good outcome if the Congress is simply failing to deal with real needs in the non-budget year.

**4. What role do you see the authorization process currently playing in the budget process and do you think that role should change? Do you think changing or strengthening its role would improve the role and condition of programmatic oversight?**

Obviously, authorizing committees cannot ignore the budgetary effects of programs within their jurisdiction — especially the budgetary effects of mandatory programs within their jurisdiction. But I think the authorization process should focus more than it currently does on the goals of federal programs and whether those programs are being run in an effective and efficient manner.

**5. You raise the concern that off-year budgeting, i.e. supplemental work, will tend to be done in a more ad hoc basis than that which occurs under the current system. Could you explain further what you mean by an ad hoc basis?**

When I say that more legislation will be considered on an *ad hoc* basis I mean that more legislation will be enacted that is not considered in the context of an overall budget plan determined by Congress and that has not gone through the full process of consideration that most budgetary legislation goes through now. The current system allows the Congress to establish overall budget priorities each year and to influence the particular budget legislation that will subsequently be adopted during the current session of Congress by setting a revenue floor and allocating spending authority to various committees. That subsequent legislation must be consistent with the budget resolution or face political and procedural hurdles. In addition, most budgetary legislation goes through a process of extensive hearings, subcommittee mark-up, full committee mark-up, and lengthy consideration by the full House and Senate.

I believe that the Congress will find it necessary to pass a significant amount of budgetary legislation in the non-budget year. Unless a revised budget resolution is adopted each year, that legislation will not be consistent with the priorities set in the budget resolution and there will be no mechanism for the Congress to consider the policies embodied in that legislation in the larger context of overall national needs. In addition, it is likely that such non-budget year legislation — like current supplemental appropriations — will go through a less extended and less thorough review process during its consideration.

**6. You discuss in great detail in your written testimony the difficulty of making projections. We already now make 5 and 10 year projections that everyone readily admits are not without significant error. However, we**

**also make 1 and 2 year estimates now that are much less volatile and which many argue have actually improved. Would you care to comment on this?**

Although 1 and 2-year baseline budget projections are less uncertain than longer-term projections, even the 1 and 2-year projections are subject to large misestimates. This is shown in an analysis CBO presented in Appendix B of its January 1999 *Economic and Budget Outlook: Fiscal Years 2000-2009*. In that analysis, CBO calculated the difference between the budget resolution's assumptions — which are generally based on CBO's revised baseline projections that are usually released in March or April each year — and actual outcomes for the fiscal year starting on October 1 of the same year. The analysis covers the budget resolutions for fiscal years 1980 through 1998. (CBO has not updated the analysis to include fiscal year 1999 since no budget resolution was adopted for that year.) The errors shown in this appendix include the effects of actual policies that differed from those assumed by the budget resolution. But if those effects are subtracted, the average absolute value of the remaining economic and technical errors (that is, ignoring whether the errors represent over- or underestimates) in the deficit projections for fiscal years 1980 through 1998 is 4.5 percent of actual annual outlays. Based on CBO's most recent projections, a 4.5 percent error in the surplus projection for fiscal year 2001 would represent an over- or underestimate of more than \$80 billion.

CBO's analysis does not indicate that these projections have become less uncertain in recent years: the absolute economic and technical error as a percentage of actual outlays increased each year in 1996 through 1998 and exceeded the 1980-1998 average absolute error in each of those years.

**7. When you discuss the difficulty in projections are you specifically concerned with projections of spending revenue?**

I am concerned about the uncertainty of both revenue projections and outlay projections. CBO's analysis of projection errors in Appendix B of its *Economic and Budget Outlook: Fiscal Years 2000-2009* indicate that projections of revenues and outlays are both subject to significant error. Excluding the effect of differences between actual policies and those assumed in the budget resolution, the average absolute error over the 1980-1998 period for outlay projections is slightly higher than the average absolute error for revenues.



# QUESTIONS AND ANSWERS SUBMITTED BY DR. MARTIN REGALIA

**1. As a representative of many businesses, both large and small, could you elaborate on your point that biennial budgeting increases budget predictability and stability for those served by Federal programs and those who receive Federal money such as research grants, etc.?**

In any budget system, the providers and users of public goods and services are subject to two types of uncertainty: planning uncertainty and outcome uncertainty. The first arises because the authorizers and appropriators may change their minds, and the second arises when factors beyond the control of the authorizers and appropriators change the economic environment. Clearly, a biennial budget cycle reduces the first type of uncertainty and should make it easier for both users and providers of public goods and services to plan ahead over the budget cycle.

**2. One of the arguments against biennial budgeting is that the ability to make two-year projections is too unreliable. Do you have any thoughts on that contention?**

As I said in the answer to the first question, there are two types of uncertainty. This question refers to our ability to predict or adjust to the second type of uncertainty – outcome uncertainty. Clearly, the farther ahead one attempts to forecast or predict the greater is the likelihood that conditions will change, and the poorer will be our forecast. The relationship between predictive accuracy and length of the forecast is not monotonic: for example, 10-year ahead forecasts are not simply twice as inaccurate as five-year forecasts. One must choose a degree of error that is acceptable given parameters, such as the political structure and the benefits of planning certainty. I believe that the benefits from reducing the planning uncertainty balance well against the somewhat higher predictive inaccuracy of a biennial budget, especially when one considers that we have a two-year political cycle.

**3. In economic theory and in the private sector, is there anything inherently superior in an annual cycle as opposed to a longer cycle? Alice Rivlin has pointed out that the longer the cycle and view in budgeting, the better the benefits, but realizes that our political system has placed a limit on how long we can actually set the budget cycle on discretionary spending with our biennial elections. Could you comment on this as well?**

I would agree with Ms. Rivlin's assessment. As I said in my answers to the previous questions, the benefits from planning certainty, in my opinion, outweigh the problems in forecasting error when moving from a single year to a biennial budget cycle. I'm not sure that this would be the case if one were to go much beyond a two-year cycle to say a five or 10-year cycle. The fact that the two-year cycle coincides with an election cycle of the same length is an added benefit. The parties authorizing and appropriating projects in the first year will also be the same individuals reviewing and providing oversight in the second year of a biennial budget cycle, and I believe this would be a positive development.

## SUBMITTED QUESTIONS AND ANSWERS BY RONALD SNELL

1. When you say that "there is little evidence of clear advantages of either annual or biennial state budgeting practices," you are stating that there are no clearly inherent advantages to either cycle as found in the states. Therefore, is it not the case that neither side of this debate can truly use state experiences to settle this debate? Secondly, while the state experience cannot answer the fundamental question, can we not examine each of the cycles in practice in the various forms of the 50 states and find clues as to how to actually implement a biennial process at the Federal level? What are some of those clues with respect to preparing, considering and monitoring budgets?

You noted, first, that my testimony indicated that "there are no clearly inherent advantages to either cycle as found in the states" and asked "is it not the case that neither side of this debate can truly use state experience to settle this debate?" In my mind, state experience demonstrates that the length of the budget cycle is only one, and probably not the significant, element in determining the success of a state's budget process. I think that partisanship, fiscal circumstances, and policy issues are equally important at any given time. Any state's budget process, annual or biennial, may run to a smooth conclusion in one budget session and be hesitant, quarrelsome, divisive and unsatisfactory in another budget session, depending on how those various issues interact.

Moreover, federal and state budgeting differ in ways that keep state experience from being a decisive predictor of federal experience. The important differences (besides those of scale) include:

- \* The role of federal taxation and spending in the national economy—no state budget, including the budgets of the largest states, can decisively affect the national economy;
- \* The greater separation of powers at the federal level, which may be contrasted to the continuous interaction of the legislative and executive branches that characterizes many states' budget and appropriations processes;
- \* The state emphasis upon balancing its general-fund resources and expenditures within each budget period, which is less emphasized by the federal government;
- \* Separate state capital budgets; and
- \* The lack of separate authorization and appropriations processes in state government (of which more below in response to your fourth question).

You also asked, "can we not examine each of the cycles in practices in the various forms of the 50 states and find clues as to how to actually implement a biennial process at the Federal level?"

My colleagues at NCSL and I would draw the following state practices to your attention as being of possible value to Congress in reconsidering its budget processes. These do not necessarily characterize either annual or biennial budget states, but they are state practices that merit your consideration.

A. *A balanced budget.* Although fewer than half the states have a constitutional requirement to enact a balanced operating budget each year or biennium, practice and tradition make balanced operating budgets a primary concern in every state. (Some states are allowed constitutionally to fund capital projects through borrowing which is not included in the balanced budget equation). The general expectation that operating budgets will be balanced against available revenues has benefited fiscal discipline in the states. As a matter of formal policy, NCSL recommends a balanced federal budget except in times of national emergency.

B. *Legislative program evaluation and oversight.* States employ a great variety of assessment tools, ranging from agency involvement in the legislative appropriations and budget process through traditional performance audits to highly sophisticated systems of strategic planning and performance evaluation. While only Florida and Texas have made much progress in linking performance to budgetary allocation decisions, many states have enriched legislators' knowledge of program activities and performance through such processes. The National Conference of State Legislatures and the Urban Institute are engaged in a multi-year study of state programs of governing-by-results. The final report of this study is scheduled for release later in 2000 and I look forward to sharing it with you.

Although NCSL has not taken a formal position on this point, in my view one of the strongest arguments for a biennial federal budget is the opportunity it would provide for Congress to adapt the authorization process to allow greater legislative oversight of program performance. The Government Performance and Results Act of 1993 lays the foundation for such oversight in its requirement that federal agencies develop strategic plans and goals and track their progress toward those goals with specific performance measures. Congress has unparalleled resources in the GAO, the CRS and the CBO to assist in independent assessment of agency operations. Freedom from the pressures of annual budgeting could allow Members greater opportunity to make use of such information in program review.

C. *Greater Legislative-Executive interaction.* The state budget process is characterized by more frequent interaction of the legislative and executive branches than the federal process. While state processes vary greatly, a frequent practice is for executive agencies to submit their budget requests to the legislature at the same time the requests go to the state executive budget office. State legislative committees can hold hearings on agency requests at the same time the executive branch is preparing its comprehensive budget recommendations. Such a process vastly enriches legislators' understanding of agency budgets and requests and facilitates final consideration of the budget. It also facilitates budget negotiation between the branches early in the process. Congress, of course, has to be more alert to the separation of powers than state governments, as a rule, but it might be possible to adapt this process to Congressional use.

D. *A consensus revenue estimating process.* The states have been steadily moving toward a consensus revenue estimating process, through which the two legislative chambers and the executive branch reach agreement on a revenue forecast. The process usually involves an elected official or staff person from each chamber and the governor's office and may include academic or private sector economists or policy analysts. In some states constitutional provisions make the estimate final and binding, and in other states periodic revisions are permitted. Whatever the details of the process, the goal is to remove gamesmanship from the revenue estimating process, and to settle the issue early in the budget cycle.

E. *A separate capital budget.* Thirty-three states budget separately for capital needs and operational needs. States do so partly because they increasingly use debt to finance capital expenditure and do not do so to finance operating expenses. However, the distinction is a useful one in encouraging separate consideration of long-term public needs from continuing operations.

2. **You mentioned that many states have other procedural mechanisms that they utilize to assist in fulfilling or maintaining their budget processes regardless of whether they are on an annual or a biennial cycle. What have states used to deal with unanticipated contingencies and what can the Federal government learn from this use?**

Your second question addressed state mechanisms for dealing with unanticipated contingencies.

The 42 states whose legislatures do not meet year-round have devised various ways to address the needs for budget reductions, transfer of funds among or within agencies and appropriation of unanticipated revenues when the legislature is not in session. I have attached tables from the NCSL publication *Legislative Budget Procedures* (1998) that show the processes state-by-state.

3. You state that “according to older studies of state decisions to shift to annual budgeting from biennial budgeting, supplemental appropriations became less common after the shift. But in recent years supplemental appropriations have been common in all states - not just those with biennial budgets - because of the unpredictable changes in the national economy and because of cost overruns in Medicaid programs.” Could you elaborate on this point?

Your third question addressed the point made in my written testimony that supplemental appropriations had become more common in all states in recent years.

Because 46 state fiscal years run from July 1 to June 30, legislatures that convene in January begin their work at a time that is suitable for reviewing the status of the budget. States adjust their budgets in the middle of fiscal years for three principal reasons: to address revenue shortfalls within balanced-budget constraints, to address revenue collections above original projections and to address needs that were unforeseen when the budget was originally enacted. Examples of the last are enrollments in elementary and secondary schools (which are a factor in determining state aid to school districts and which cannot be known with precision until after the school year begins), corrections inmate population changes, and changes in Medicaid enrollments and other income-supplemental programs.

The precise reasons for supplemental appropriations and other mid-course budget adjustments change with time. The need to adjust appropriations for public school enrollments continues in most years. In the early 1990s, state revenue collections tended to fall below estimates and inmate and social-service populations increased above projections, requiring supplemental appropriations for those programs. In some states it appeared that inmate and social-service population growth had purposefully been under-estimated at the time the original budget was written in order to facilitate a balanced budget.

The adverse economic circumstances that produced those results (and strategies) have been reversed. In recent years, supplemental appropriations have been less necessary for social service programs, and have been more at legislative discretion as a way to make use of unanticipated revenues.

4. Do states differentiate between authorization and appropriation legislation as does the Federal government and how does this affect the way state legislatures conduct programmatic oversight?

Your fourth question asked whether states differentiate between authorization and appropriation legislation as the federal government does, and asks how the answer to that question affects state legislatures' programmatic oversight.

The federal authorization process has no parallel in state government. State programs are created in legislation and the enabling legislation remains codified in statute, as is the federal practice, but state enabling legislation does not routinely authorize a maximum or specific level of program expenditure when the program is created or subsequently. That is true for all 50 states.

The legislative appropriations process provides appropriations of state funds for agency use with the general understanding that the full amount of the appropriation is to be expended for the purposes stated. Some states practice program budgeting (Tennessee and Louisiana are good examples) and attach few conditions to expenditures within a program. Most states use fairly detailed line-item appropriations, and the current interest in program-performance budgeting has only slightly decreased the practice.

Programmatic oversight occurs in a number of ways that differ among the states.

A. In 32 states, legislatures receive agency budget requests from the agencies before the executive budget is prepared. The general practice is for legislative budget committees to review the requests (either in hearings or through legislative staff analysis) before the legislature convenes. In hearings, legislators can

question agency staff directly about their budget requests. Staff analyses can be used to raise questions about the use of previous appropriations as well as about requests for increases or changes in budgets.

B. Legislators use budget hearings to question agency staff on existing programs and past budgets as well as budget requests. Governors' budget proposals have tended to present a growing amount of explanatory and performance data, which encourages legislative questions on program efficiency and effectiveness.

C. Thirty-three states have enacted or are in the process of enacting performance measurement and performance reporting processes of varying stringency, with the goal of increasing legislative oversight of agency efficiency and effectiveness. About 15 additional states have created similar programs by executive order. NCSL and the Urban Institute are studying these processes with the goal of releasing major reports on them in the fall of 2000, which we would be happy to share with you.

D. State auditors (who are legislative officials in more than half the states) carry out performance audits as well as compliance and financial audits. Where auditors are legislative officials, such audits are chosen by legislative committees. Kansas and Minnesota offer excellent examples of the use of this process as a tool of legislative oversight. Legislative fiscal staff also conduct performance reviews in some states.

Table 7-1: EXECUTIVE AUTHORITY TO CUT THE ENACTED BUDGET

State or other Jurisdiction	No Restrictions †	Can Cut only across the Board	Maximum Percent Reduction	Must Consult with the Legislature	Other	Authority
Alabama	—	■	—	—	—	Constitutional: Amendment No. 26
Alaska	■	—	—	—	—	Statutory: AS 37.07.080 (g) (1) and (2)*
Arizona	■*	—	—	—	—	None*
Arkansas	—	—	—	—	■*	Biennial legislation
California	—	—	—	■	—	Statutory: Government Code Sec. 13-3-22
Colorado	—	—	—	—	■*	Constitutional: Article X, Sec. 16
Connecticut	—	—	5%*	—	■*	Statutory: C.R.s. 24-75-201.5
Delaware	■*	—	—	—	—	Statutory: Sec. 4-85; SA 97-21 (Sec. 24,25,26)
Florida	—	—	—	■*	■*	None*
Georgia	—	—	—	—	■*	Constitutional: Article IV, Sec. 13
Hawaii	■	—	—	—	—	Statutory: S. 216.221, F.S. S.215.16, F.S.
Idaho	■*	—	—	—	■*	None
Illinois	■*	—	—	—	—	Constitutional: Article III, Sec. 16
Indiana	■	—	—	—	—	Constitutional and Statutory
Iowa	—	■	—	—	—	N/A
Kansas	—	■*	—	—	■*	Statutory: 4-12-1-12
Kentucky	—	—	5%*	—	—	Statutory: Chap. 8.31
Louisiana	—	—	10%*	—	■*	Statutory: KSA 75-6704 and KSA 75-3722 et seq.
Maine	—	—	—	■	■*	Statutory: 48.130
Maryland	—	—	25%*	—	■*	Constitutional: Article VII, Sec. 10 (F)
Massachusetts	—	—	—	—	■*	Statutory: L.A.R.S. 39:75
Michigan	—	—	—	■	■*	Statutory: 5 MRSA
Minnesota	—	—	—	■*	■*	Statutory: State Finance and Procurement Article, Sec. 7-213
Mississippi	—	—	—	—	■*	Statutory: Chap. 29, Section 9c
Missouri	■*	—	—	—	—	Constitutional: Article V, Sec. 20
Montana	—	—	10%*	—	■*	Statutory: 18.1371-18.1372, 18.1382, 18.1384, 18.1391-18.1392, 18.1395, and 18.1453; Michigan Compiled Laws

State or other Jurisdiction	No Restrictions †	Can Cut only across the Board	Maximum Percent Reduction	Must Consult with the Legislature	Other	Authority
Nebraska	-	-	-	-	■*	None*
Nevada	-	-	15%*	■*	-	Statutory: NRS 353.225
New Hampshire	-	-	-	■*	-	Statutory: RSA 9:16-a Fiscal Committee: RSA 14:30A
New Jersey	-	-	-	-	■*	Statutory: N.J.S.A. 52: 27 B-26 and 52: 27B-31
New Mexico	-	-	-	-	■*	Constitutional: Article IV, Sec. 30
New York	-	-	-	-	■*	Constitutional: Article VII, Sec. 2
North Carolina	-	■	-	-	■*	Statutory: Executive Budget Act, General Statutes 143-25
North Dakota	-	■*	-	-	-	Statutory: 54-44.1-12 and 54-44.1-13
Ohio	■	-	-	-	-	Constitutional: Article VIII, Sec. 1; Statutory: Title I, Vol. 2, Chap. 126.08
Oklahoma	-	■	-	-	-	Constitutional: Article 10, Sec. 23
Oregon	■*	-	-	-	■*	Statutory: 291-254
Pennsylvania	-	-	-	-	■*	Constitutional: Article IV, Sec. 16
Rhode Island	-	-	-	■	■*	Statutory: Sec. 35-3-16
South Carolina	-	■	-	■	-	Statutory: Appropriations bill
South Dakota	■	-	-	-	-	SDCL 4-8-23
Tennessee	-	-	-	■	■*	None
Texas	-	-	-	■	■*	Constitutional: Article 16, Sec. 69; Statutory: Chap 317, Government Code
Utah	-	-	-	■*	■*	Statutory: Sec. 63-38- 10; Sec. 63-38-11
Vermont	-	-	-	■*	■*	Statutory: Appropriations bill
Virginia	-	-	15%*	-	■*	Statutory: Appropriation Act
Washington	-	■*	-	-	-	Statutory: RCW 43.88.110(7)
West Virginia	-	■*	-	-	-	Statutory: WVS 5A-2-20 to 5A-2-22
Wisconsin	-	-	-	-	■*	Statutory: Sec. 16.50 (5)
Wyoming	-	■	-	-	-	Statutory: Appropriations bill, Sec. 300*
American Samoa (N/R)	-	-	-	-	-	-
District of Columbia (N/R)	-	-	-	-	-	-
Guam	-	-	-	-	-	None*
Northern Mariana Islands	■	-	-	-	■*	Constitutional: Article 111, Sec. 10 and 1 CMC 7601, 7602 and 7604
Puerto Rico (N/R)	-	■	-	-	-	N/R
U.S. Virgin Islands (N/R)	-	-	-	-	-	-
<b>Total: States</b>	<b>12</b>	<b>10</b>	<b>7</b>	<b>12</b>	<b>29</b>	

State or other Jurisdiction	No Restrictions †	Can Cut only across the Board	Maximum Percent Reduction	Must Consult with the Legislature	Other	Authority
Total: States and Territories	13	11	7	12	30	

Source: National Conference of State Legislatures, December 1997.

**Key:**

- † = No restrictions—Executive can cut selectively or across the board in all areas, without consulting the legislature.
- = Not applicable
- N/R = No response

**\*Notes:**

**Alaska**—A court decision puts this authority under question.

**Arizona**—Although the governor has unilaterally reduced state spending, there is some question about his legal authority to do so (Arizona Legislative Council memo, June 22, 1982). In practice, the Legislature usually has approved reductions exceeding 1 percent of expenditures, through amendments to the original general appropriations bill.

**Arkansas**—The governor must make cuts according to the guidelines established by the legislature in a bill passed every two years concerning the distribution of funds.

**Colorado**—Sec. 24-75-201.5 requires the governor to take the following steps when a revenue shortfall occurs: 1) formulate a plan for reducing general fund expenditures so that the general fund reserve does not fall below one-half of the 4 percent reserve; 2) promptly notify the General Assembly of the plan; 3) promptly implement the plan using procedures available under Sec. 24-2-103, 24-30-206, 24-50-109.5, and other lawful means; and 4) transfer general fund money from the capital construction fund to the general fund (and restrict capital construction projects) if the governor's plan reduced general fund expenditures by at least 1 percent of the total amount of general fund appropriations for the fiscal year. (Details of these procedures are contained in a memorandum dated September 12, 1991, from the Colorado Office of Legislative Legal Services to Senator Ted Strickland.)

**Connecticut**—The maximum percent reduction is 5 percent of an appropriation or 3 percent of an appropriated fund (e.g., general fund, transportation fund, etc.). In the Appropriations Act for the 1997-99 biennium, Sec. 24 and 25 require the secretary of the Office of Policy and Management to reduce personal services and other expenses accounts by \$11 million and \$12 million, respectively, in each year of the biennium. Sec. 26 allows the governor to reduce agency allotments to achieve certain savings without regard to statutory limits on his authority to do so. Current law requires the governor to submit a plan to reduce allotments within 30 days of a comptroller's report that projects a general fund deficit of more than 1 percent of general fund appropriations. (For 1997-98, 1 percent equals \$93.4 million.)

**Delaware**—No specific statutes detail how deficits are to be handled. It has been the practice in the state, however, for the governor to require agencies to reduce their spending when revenues are short.

**Florida**—The budget can be cut to avoid a deficit. General revenue reductions in education can be in no greater proportion than the reduction in total general revenue appropriations. General revenue deficits greater than \$300 million must be resolved by the Legislature.

**Georgia**—The executive branch may withhold appropriations, but may not cut the budget without legislative approval.

**Idaho**—The governor can, by executive order, reduce agency allotments as necessary. Legislative concurrence is not required. Reduction of legislative and judicial budgets requires permission of those branches of government.

**Illinois**—There are no restrictions on the governor's authority to cut the budget with respect to executive agency operations and capital.

**Kansas**—The governor has authority to cut across the board, with certain limitations, to restore the state general fund estimated year-end balance to not more than \$100 million. As interpreted by the attorney general's opinion, law allows the governor to reduce appropriations as he or she sees fit (no legislative or judiciary reductions), but only to the extent that cuts would result in year-end zero balances. In the two instances where such reductions have occurred, budget reductions were sanctioned by appropriations acts that permitted the lapse of funds.

**Kentucky**—If revenues are up to 5 percent below official estimates, an enacted



reduction plan is implemented, which includes application of budget reserve funds, general fund surplus account resources, and other budget reduction actions. The law makes no provision for shortfalls greater than 5 percent.

**Louisiana**—The maximum reduction is 10 percent of a budgetary unit. Appropriations for certain retirement programs and minimum foundation program for education may not be reduced except by written approval of two-thirds of the members of each house of the Legislature.

**Maine**—Reductions are triggered only when estimated revenue under-performs; any reduction proposed must be "equitable" and a "temporary curtailment" (i.e., until the Legislature acts).

**Maryland**—The maximum reduction is 25 percent of any item of appropriation. These items may not be reduced: appropriations for payment of interest and retirement of state debt; appropriations to the legislature, public schools' local health formula and the judiciary; and salaries of public officers during term. Salaries of merit system employees may be reduced through the secretary of personnel.

**Massachusetts**—The governor cannot reduce appropriations without legislative approval. The governor may reduce agency allotments, however, within fifteen days of being notified of a revenue shortfall.

**Michigan**—The following may not be reduced: expenditures of the legislative and judicial branches and funds for constitutionally-dedicated purposes.

**Minnesota**—The governor can make reductions only in the case of a state budget shortfall and only when the budget reserve has been exhausted.

**Mississippi**—The governor can cut selectively up to 5 percent. After all agencies are cut up to 5 percent, then additional cuts must be equal and uniform. Authority for cuts exists in two statutes. Under one statute, cuts are initiated at the governor's discretion. By another statute, the governor is required to cut if revenues fall below 98 percent of the estimate after October.

**Missouri**—There are no restrictions on the governor's authority to cut the budget if revenues do not meet projections used when the budget was passed.

**Montana**—The governor cannot "un-appropriate," but the governor can order a reduction in expenditures by all state agencies when certain statutorily defined conditions are met. A maximum of 10 percent of the budget for any program within an agency may be reduced. However, the governor may not order reductions in expenditures for 1) interest and retirement of state debt; 2) legislative branch; 3) judicial branch; 4) school foundation program, including special education; and 5) salaries of elected officials during their terms of office.

**Nebraska**—The governor has no legal authority to reduce appropriations, other than administrative controls that may be applied to agencies under the governor's direct control, to manage spending. However, the governor can request agencies to reduce their expenditures, and can enforce that request for those agencies where the governor has appointed the department head. Only the Legislature can reduce the appropriation to an agency by amending the appropriation during a regular session or special session.

**Nevada**—The governor may set aside a reserve of up to 15 percent in agencies of the executive branch from general funds appropriated or any other funds available to the agencies if approved by the Legislature or Interim Finance Committee.

**New Hampshire**—The governor may cut the budget (for executive branch appropriations only) with prior approval of the Joint Legislative Fiscal Committee.

**New Jersey**—The governor may control the rate of expenditures by state agencies through his or her allotment and reserve powers, or through enjoinder in the case of "extravagance, waste or mismanagement."

**New Mexico**—The executive may order the limitation on expenditures for agencies only under his or her direct control. The judicial branch, universities and public schools operate separately. The Legislature is the only entity that can actually reduce appropriations levels.

**New York**—The governor can choose not to spend money appropriated by the Legislature for state agency operations, capital projects, and debt service. The governor cannot reduce expenditures for local assistance pursuant to a court decision interpreting the Constitution. The governor cannot reduce appropriations without legislative action. The governor cannot reduce payments for the Legislature and judiciary.

**North Carolina**—The governor also may transfer money from reserve funds and revert capital improvement appropriations. The governor may not reduce the principal and interest payments on bonds and notes of the state (Constitutional—Article III, Sec. 5 (3)).

**North Dakota**—The executive branch can cut across the board without consulting the legislature except when the budget reduction is the direct result of an initiative or

referendum action.

**Oregon**—The governor may reduce the budget in the case of an under-realization of revenues and if potential savings are determined. There are no restrictions on the reduction amount. To meet a future contingency, however, the governor must have approval from the legislature.

**Pennsylvania**—Budget Reform Code requires a balanced budget. The only way a deficit could occur is if revenues do not reach earlier estimates. Because of the balanced budget requirement, there is no requirement for what the governor and/or legislature must do should a deficit situation occur (governor has line item veto).

**Rhode Island**—Appropriations for the General Assembly and legislative agencies may not be reduced.

**Tennessee**—The governor may call a special session to deal with a deficit.

**Texas**—The governor may plead for agencies to reduce spending and/or call the legislature into special session to cut appropriations or propose cuts using constitutional and statutory budget execution authority. The governor's proposed cuts, using budget executive authority, requires Legislative Budget Board approval.

**Utah**—If the governor wants to reduce appropriations, he or she must call a special session of the legislature. If total revenues accruing to a fund are not sufficient to cover the appropriations, however, the governor may reduce allotments to agencies by the amount of the deficiency or alter agency workplans to slow spending.

**Vermont**—The governor may control the rate of expenditure by state agencies through allotment powers. In so doing, the governor may reduce an allotment if a lesser amount than was appropriated is required. However, the governor has no authority to reduce appropriations unilaterally to balance the budget.

**Virginia**—The governor may reduce appropriations only when an official re-estimate of the revenues shows spending at a rate above projected revenues. Reductions are limited to 15 percent of an agency's appropriation.

**Washington**—The governor can cut across the board only if there is a revenue shortfall.

**West Virginia**—The governor can cut only across the board. In addition, after notifying the legislative leadership, the governor can cause an amount to be borrowed from the revenue shortfall reserve fund by October 31 to be repaid within 90 days. This provision was enacted for use primarily at the beginning of the fiscal year when the general revenue funds available to cover appropriations quite often start with a zero balance. The governor also can call a special session of the legislature no earlier than November 1 for the purpose of making supplemental appropriations to meet anticipated shortfalls; he also can request such supplemental appropriations during the next regular session. (This fund has been used primarily to provide matching funds for federal disasters such as floods.)

**Wisconsin**—Following budget enactment, if previously authorized expenditures are determined by the secretary of administration to exceed available revenue, but by less than 0.5 percent of the total general fund appropriations for the year, the secretary may unilaterally take action to adjust agency expenditures (except for aid programs) to meet the revenue shortfall. If estimated expenditures are expected to exceed available revenues by more than 0.5 percent of total appropriations, then the governor is required to submit a bill to the legislature to correct the imbalance.

**Wyoming**—Reviewed every two years.

**Guam**—The governor may control the rate of expenditures through allotment authority and may exercise administrative controls on agencies under his or her direct control to manage spending.

**Northern Mariana Islands**—Under the constitution, the governor may mobilize available resources to respond to emergencies like a civil disturbance, national disaster or other calamity. Under P.L. 3-68, the governor may control expenditures of the government (general fund) except the legislature. Under certain conditions, the governor may even rescind or defer the budget authority or exercise emergency impoundments.

[Whereupon, at 12:35 p.m., the committee was adjourned.]

